

DIVISION OF INSURANCE
STATE OF ILLINOIS/IDFPR
FILED

APR 01 2007

SPRINGFIELD, ILLINOIS

**PODIATRY INSURANCE COMPANY OF AMERICA
A MUTUAL COMPANY**

**PODIATRIC
RATING MANUAL**

Unrecorded

PODIATRY INSURANCE COMPANY OF AMERICA
A MUTUAL COMPANY

PODIATRIC RATING MANUAL

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I. GENERAL RULES

This manual includes underwriting rules and regulations as they relate to underwriting for Podiatric Physician Malpractice Liability.

A. INSURED CLASSIFICATION

1. **Preceptee:** Coverage is provided for podiatric college graduates or residents entering preceptorship (apprenticeship/training) programs conducted by preceptors who are PICA policyholders. The preceptorship program must last for one year, both preceptee and preceptor must sign the Preceptorship Certificate and the preceptor must be insured by PICA. Optional Extension Coverage is issued concurrently with the policy and earned completely on the first day of the policy. Financial responsibility is with the named insured.
2. **Resident:** Coverage is provided for residents in an American Podiatric Medical Association Council on Podiatric Medical Education approved program or a program in candidate status. Optional Extension Coverage is issued concurrently with the policy and earned completely on the first day of the policy. Financial responsibility is with the named insured. Coverage is only for responsibilities as a part of the residency program.

Coverage requested for moonlighting must be approved by the Residency Director. If approved by the Residency Director, a new practitioner policy will be issued with the proper classification (sole practitioner or employed podiatrist). The resident must weigh the benefit of moonlighting since the new practitioner policy does not include Optional Extension Coverage (OEC coverage). The next year will be rated under the second year premium. "Documentation" is critical for the underwriting file.

- a. **Veterans Administration Residency:** This is a modification of the existing resident policy, allowing more than one resident to be covered under one policy. The policy will cover residents during rotations outside of the Veterans Administration facility, not to exceed 261 days per premium charged. Outside rotations must be an integral part of the residency program. Individuals must be "Scheduled" on the policy with the Optional Extension Coverage endorsement being issued upon receipt of the final audit from the residency program. This ensures proper documentation of outside rotations as well as appropriate premium charges. Financial responsibility of this policy is contracted by signature with the residency director on the "Schedule." Risk management

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discounts will not be allowed on this policy, but will be allowed when the resident renews as a new practitioner.

Partnership, Corporation or Professional Association: All owners in the entity must be insured with PICA and maintain the same Limits of Liability. There is no additional premium for a "shared" Limit of Liability.

Unless required by state regulations, separate Limit of Liability is optional for an additional 5% of the total premium charged to each insured in the corporation or partnership. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.

4. Ambulatory Surgical Center: Coverage is provided with the following criteria:
- a. A majority of the owners must be insured with PICA.
 - b. Coverage of \$1,000,000/3,000,000 is mandatory.
 - c. A Certificate of Insurance is required from all non-PICA users with Limits of Liability of \$1,000,000/3,000,000.
 - d. A written agreement must be provided between the facility and a local hospital where immediate admission will be granted in the event of an urgent or emergency situation.
 - e. Premium will be based on PICA's mature \$1,000,000/3,000,000 coverage multiplied by the total number of podiatric physicians (with the exception of PICA insured employed podiatrists and podiatric residents) multiplied by 10%. Coverage is provided for the ambulatory surgical center based upon the total number of PICA insured owners, non-PICA insured owners and all non-owner podiatric physician users.
5. Podiatric Medical Schools: Separate application and policy forms are available for institutional coverage to include residents, teaching staff and students.

- B. SURGICAL AND NON-SURGICAL POLICY DEFINITION Coverage is provided for all procedures authorized by state statute and/or regulation in each state a license is held.

Surgery shall include any procedure requiring an anesthetic or intravenous or gaseous sedation including post-operative treatment. Exceptions to this definition include diagnostic and therapeutic injections, surgical procedures involving the nails, excision of skin lesions, incision and drainage of abscesses and the treatment of ulcers.

Post operative treatment will be covered under a non-surgical policy if and only if the podiatric physician performing the surgery maintains a surgical policy with PICA.

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A podiatric physician acting as an assistant surgeon will not be covered under a non-surgical policy.

C. POLICY TERM

Policies are written for a one year term and renewed annually thereafter. On exception, a short term policy may be issued on a pro-rata basis and then renewed for an annual term thereafter.

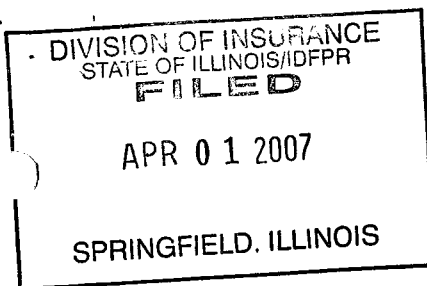
D. PREMIUM COMPUTATION/ROUNDING TABLE

1. All premiums are for an annual period.
2. Computation of the premium at inception uses the premium in effect at the time. Retroactive coverage will be provided to the insured's previous policy retroactive date (provided that the podiatric physician's prior policy is a claims-made policy). At each renewal, computation of the premium will be at the premium in effect at the time.
3. Premiums are calculated as specified for the respective coverage (i.e. surgical, non-surgical, resident or preceptee).
4. Each insured is rated in the state and/or territory where he or she practices more than 50% of the time.
5. Rounding to the nearest dollar amount is done at each step of the computation process, as opposed to rounding the final premium. (Round a premium involving \$.50 or over to the next higher whole dollar; less than \$.50 to the previous whole dollar.)

E. PREMIUM DISCOUNTS

1. Employed Podiatrist: A podiatrist must be employed 100% of the time without ownership interest to receive a 25% employed podiatrist discount. The insured cannot have any ownership interest and work for the corporation and receive the employed podiatrist discount. It is pertinent to know who provides coverage for the employer.
2. New Practitioner: The first-year professional liability claims-made premium is reduced 75%, the second-year premium 50%, the third-year premium 35% and the fourth-year 20%. No finance charges will be applied to the first, second, third or fourth year.

This applies to recent podiatric medical school and/or residency graduates, practitioners who have completed a preceptorship, practitioners who have completed three years of service in one of the Armed Forces or other government programs.



A new practitioner who has completed an American Podiatric Medical Association Council on Podiatric Medical Education (CPME) approved residency program or a program that is in candidate status will be provided with free retroactive coverage. The practitioner must submit verification of prior claims-made insurance coverage with no lapse.

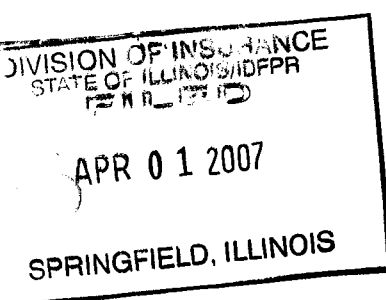
The new practitioner discount will be allowed for applicants requesting retroactive coverage up to four years in practice.

3. **Risk Management:** A 10% risk management discount will apply to the following year's annual renewal premium for completing a home study course or attending a PICA/Podiatry Institute meeting. An additional 5% to 15% discount is applied for attending PICA designated risk management meetings that may be a component of an existing podiatric conference as determined by the risk management committee dependent upon the structure and composition of the meeting. The maximum risk management discount available is 15%.

A 10% discount will be granted to new applicants who have completed a risk management program which would have qualified for a risk management discount with their previous carrier.

4. **Semi-Retired:** Premiums are reduced by 50%. To qualify for this discount, the insured must be at least 55 years of age, must have been insured with PICA for at least five years immediately prior to becoming semi-retired and must not practice more than 20 hours a week. Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.
5. **Part Time:** To qualify for this discount, the insured must practice 1-10 hours to receive a 50% discount or 11-20 hours a week to receive a 25% discount. These discounts will apply to surgical and non-surgical policyholders.
6. **Residency Director:** An insured who is an appointed Residency Director by the Council of Podiatric Medical Education will be entitled to a 25% discount off his or her individual malpractice premium.
7. **Multiple Discounts:** The practitioner will receive the greater of the classification discount that applies. For example an insured would receive a 50% semi-retired discount and not an employed podiatrist discount.

8. The following schedule of credits or debits may be used to modify premium for certain insureds, reflecting unique exposure present in those risks. These insureds may qualify for schedule rating because of factors not contemplated in the filed rate structure of the company. Pursuant to underwriting judgment, any or all of the following factors may be considered when assigning credits or debits. A combined maximum credit



or debit of 25% may be applied to recognize risk characteristics that are not reflected in an otherwise applicable rate. Any credits or debits assigned under this plan are subject to annual review. All premium modifications will be noted and documented in the individual insured's file with any premium credit and/or debit in excess of 10% requiring approval of the Underwriting Vice President. Premiums may be modified based upon the following exposure and rating characteristics:

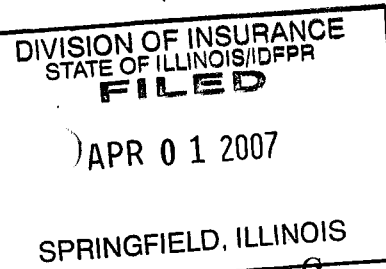
	<u>Credit</u>	<u>Debit</u>
Participation in risk management program	0-15%	N/A
Unusual risk characteristics	0-25%	0-25%
Claims free discounts	0-10%	N/A
Record keeping	0-10%	0-10%
Professional loss history/trends	N/A	0-25%
Group practice or association membership	0-20%	N/A

(N/A = not applicable)

F. COVERAGE CHANGE REQUEST

The premium and rules in effect on the effective date of change apply. Coverage may be increased or decreased at any time during the policy year. Premium changes will be computed on a pro-rata basis.

1. **Endorsements:** Policies involving corporation, partnership or professional association limits of liability must be consistent. Endorsements are not back dated unless coverage has been replaced and verified. Any change in coverage must be submitted in writing and signed by the named insured.
2. **Prior Surgery Covered:** For a podiatric physician requesting a change from surgical to non-surgical coverage, the premium will be calculated by averaging the sum of the applicable surgical and non-surgical premium. Subsequent renewal premium will be based on the non-surgical premium.
3. **Retroactive Coverage:** A copy of the applicant's current declaration page is required to verify the retroactive date. The Underwriting Committee may not approve retroactive coverage. If retroactive coverage is not approved, the applicant will be advised that Optional Extension Coverage should be purchased from their previous carrier. A practitioner accepted on probation is not allowed retroactive coverage.
4. **Leave of Absence:** This endorsement interrupts the premium and policy for special circumstances. These include, but are not limited to illness, childbirth, sabbatical leave, additional training and other situations as approved by the Underwriting Department. A premium rate of 25% of the practitioner's current premium calculated on a pro rata basis will apply.



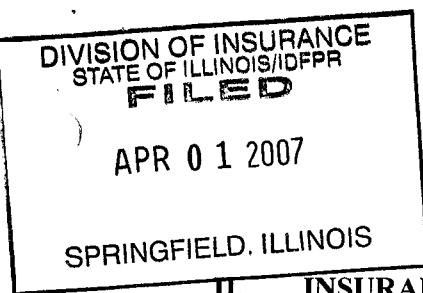
5. Locum Tenens Coverage: This coverage will be offered at no charge for periods of sixty days within any policy year, subject to underwriting approval of the replacement podiatric physician.

G. RETURN PREMIUM POLICY

1. Deletion of a state mandated coverage is not permitted unless the entire policy is canceled.
2. Premium will be computed for policy cancellation utilizing the initial premium charged. Short rate computation will apply to requested and non-payment cancellations.
3. Return premium will be computed pro-rata by rounding to the next higher whole dollar when any coverage is deleted or an amount of insurance is reduced.
4. Premium of \$5.00 or less will be waived or returned to the Insured if requested. This waiver only applies to cash exchange due on the endorsement effective date.
5. Return premium is sent to the "Named Insured" regardless of who makes the premium payment. In the event of death of an insured, the return premium is sent "To The Estate of"

H. POLICY CANCELLATION

1. Return premium is computed pro-rata and rounded to the next higher whole dollar when:
 - a. a policy is canceled by the Company.
 - b. a policy is canceled by the Insured because of retirement, disability or death.(Notices are sent by certified mail to verify receipt of notification.)
2. Return premium is computed short-rate and rounded to the next higher whole dollar when:
 - a. a policy is canceled by the Insured.
 - b. a policy is canceled for non-payment of premium(Notices are sent by certified mail to verify receipt of notification.)
3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. A policyholder will be permitted two consecutive non-payment of premium cancellation notices. If it becomes necessary for a third consecutive cancellation notice, the cancellation notice will indicate the policy is being canceled for "Underwriting Reasons" and the coverage will not be reinstated.



- a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
- b. Cancellation notice will be sent by certified mail return receipt requested.

II. INSURANCE COVERAGE

This policy includes but is not limited to mandatory Professional Liability coverage as a result of providing or failing to provide professional services on a Claims-Made form. A recently developed plain-language, Modified Claims-Made policy is available for use in states that predominantly offer a Modified Claims Made or Occurrence form. General Liability coverage may be purchased by the policyholder as an optional coverage. Coverages available:

- A. Individual Professional Liability
- B. Corporation Professional Liability
 1. Shared Limit of Liability at no additional charge
 2. Separate Limit of Liability is optional for an additional 5% of the total premium charged to each insured in the corporation or partnership. The maximum charge will be 100% of the mature premium for the corresponding limit of liability and the minimum would be 5% of the professional liability premium being charged.
- C. General Liability Coverage

This is an optional coverage that responds to Business Premises Liability and Personal Injury Liability on behalf of the Insured. Medical Payments are \$250 with Bodily Injury Liability the same limits of liability as selected for the professional liability coverage. Property Damage Limits are \$5,000 and Personal Liability limits are \$100,000. Annual premiums are indicated below determined by the Bodily Injury limit:

<u>Bodily Injury</u>	<u>One Location</u>	<u>Two or More Locations</u>
\$1,000,000/3,000,000	\$51.00	\$85.00
\$1,000,000/1,000,000	\$47.00	\$78.00
\$500,000/\$1,000,000	\$42.00	\$70.00
\$250,000/500,000	\$38.00	\$63.00
\$200,000/600,000	\$36.00	\$60.00
\$100,000/300,000	\$30.00	\$50.00

- D. Administrative Defense Coverage Endorsement will cover medical licensing board actions, hospital medical staff peer review actions, managed care decertification actions and Medicaid/Medicare (and other payor) billing and coding errors and omissions.

Included in the current premium, this coverage will be attached by endorsement to all policyholders (*with the exception of residents, preceptees and new practitioners*). This coverage may be purchased by those "newer" practitioners as indicated below:

Residents, Preceptees or First Year New Practitioners \$200

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Second Year New Practitioners	\$400
Third Year New Practitioners	\$600
Fourth Year New Practitioners	\$800

III. LIMITS OF LIABILITY

- A. \$ 100,000 Each Claim / \$ 300,000 Annual Aggregate
- B. \$ 200,000 Each Claim / \$ 600,000 Annual Aggregate
- C. \$ 250,000 Each Claim / \$ 500,000 Annual Aggregate
- D. \$ 500,000 Each Claim / \$1,000,000 Annual Aggregate
- E. \$ 500,000 Each Claim / \$1,500,000 Annual Aggregate
- F. \$1,000,000 Each Claim / \$1,000,000 Annual Aggregate
- G. \$1,000,000 Each Claim / \$3,000,000 Annual Aggregate

Refer to Company for additional Limit of Liability options.

Requests for higher limits of liability must be approved by the Vice President of Underwriting. When limits are requested in excess of \$1,000,000/3,000,000, approval by PICA reinsurers, through the Chief Financial Officer, is mandatory.

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

- A. The percentages in the following Table shall be applied to the mature claims-made premium (4th year premium) in the year coverage is being purchased.

<u>Years of Prior PICA Claims-Made Coverage</u>	<u>Percentage of 4th Year Claims-Made Premium</u>
One	100%
Two	155%
Three	175%
Four or More	180%

- B. The availability of Extended Reporting Period coverage shall be governed by the following rules, subject to underwriting approval.
 - 1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.
 - 2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred subsequent to the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).
 - 3. Extended Reporting Period Coverage is granted at no charge in the event

of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.

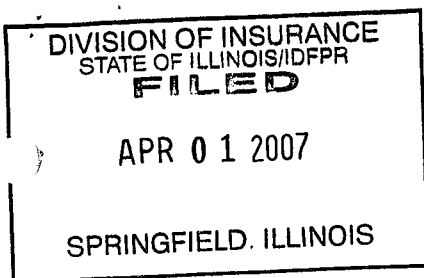
4. Extended Reporting Period Coverage will be available to all podiatric physicians except those who are canceled for non-payment of premium and/or non-compliance with the terms and conditions of the policy.
5. Should an insured terminate coverage, the insured may purchase Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 30 days of policy termination and premium is paid.
 - b. The insured requests Extended Reporting Period Coverage within 30 days after the effective date of cancellation of the policy.
6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.

<u>Consecutive Years with PICA</u>	<u>Discount Applicable To Extended Reporting Period Coverage Premium</u>
1	20%
2	40%
3	60%
4	80%
5	100%

Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.



RATING MANUAL SUPPLEMENT
Podiatry Insurance Company of America

State of Illinois

- I. Item # 3 under Subsection H. **POLICY CANCELLATION** of Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following:

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. If payment is received after the effective date of cancellation, the policy may be reinstated with a satisfactory underwriting review, and will be charged a \$50 reinstatement fee.
- a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
- b. Cancellation notice will be sent by certified mail return receipt requested.

- II. Section IV. **EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)** is hereby deleted in its entirety and replaced with the following:

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

For Malpractice Liability

- A. The premium for the optional Extended Reporting Period Coverage shall be the product of the applicable percentage factor in the following Table and the expiring annual premium of the policy:

<u>Years of Prior PICA Claims-Made Coverage</u>	<u>Percentage of 4th Year Claims-Made Premium</u>
One	100%
Two	155%
Three	175%
Four or More	180%

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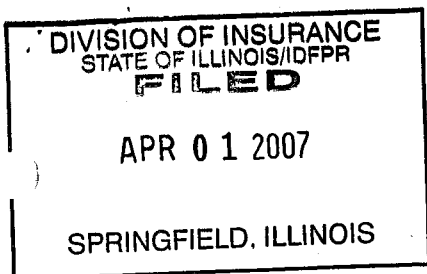
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The number of consecutive years of prior claims-made coverage shall be determined as of the date the optional Extended Reporting Period Coverage is purchased.

B. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.
2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance) for a period of unlimited duration.
3. Extended Reporting Period Coverage is granted at no charge in the event of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.
4. Extended Reporting Period Coverage will be available to all insureds.
5. The insured may purchase optional Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 30 days of the effective date of termination; and
 - b. any outstanding premium with respect to the terminated policy is paid
6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.



<u>Consecutive Years with PICA</u>	<u>Discount Applicable To Extended Reporting Period Coverage Premium</u>
1	20%
2	40%
3	60%
4	80%
5	100%

Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.
8. The Company shall inform the Insured of the optional Extended Reporting Period Coverage (ERP) premium at the time the last policy is purchased. The Company may not wait until the Insured requests to purchase the ERP to tell the Insured what the premium will be or how the premium would be calculated.
9. The following credits: Employed Podiatrist, New Practitioner, Part-Time, Semi-Retired and Residency Director (as defined under Rule I.E.) shall, if applicable, be applied when determining the final extended reporting period premium.

The following credits: Leave of Absence and Risk Management (as defined under Rule I.E.) shall not be applied when determining the final extended reporting period premium.

10. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

For General Liability

- A. For General Liability, there is no additional premium charge for an unlimited reporting period under the optional Extended Reporting Period Coverage.

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For General Liability, if the insured does not choose the free unlimited reporting period coverage, they will be provided a free 5 year extended reporting period after the free 60-day Automatic Extended Reporting Period.

C. The availability of Extended Reporting Period Coverage shall be governed by the following rules:

1. During the Automatic Extended Reporting Period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

Under the option of an unlimited extended reporting period, 100% of the aggregate liability limit of the current claims-made policy shall be reinstated for the duration of the extended reporting period.

Under the option of a free five year extended reporting period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of bodily injury, property damage or personal injury which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).
3. Extended Reporting Period Coverage will be available to all insureds.
4. The insured is eligible for the optional Extended Reporting Period coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 60 days of the effective date of termination; and
 - b. any outstanding premium with respect to the terminated policy is paid
5. The Company will offer the Extended Reporting Period Coverage when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.

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Item E. 8. Schedule Rating under Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following **Group Discount** as **Item E. 8.** under Section I. **GENERAL RULES**

8. Group Discount: A group of practitioners insured by the company may be eligible for a group discount based on the following:

1. Must have Uniform Tax Identification Number for billing
2. Must be a Legal Entity (i.e. Corporation, Professional Association, Partnership or Limited Liability Corporation)
3. Premium considered for discount excludes employed podiatrists
4. A total annual premium of at least \$10,000 will be eligible for the group discount as follows:
 - a. \$10,000 - \$30,000 = 6% discount
 - b. \$30,001 - \$50,000 = 9% discount
 - c. \$50,001 or greater = 7% discount

IV. The following is added to Rule E., 3. Risk Management under Section I. **GENERAL RULES**:

IPMA and APMA members who attend the PICA sponsored Risk Management Seminar at either the Annual APMA or IPMA will receive a 15% Risk Management discount.

V. The following is hereby added as **Rule I. Premium Payment Plan Options** under **SECTION I. GENERAL RULES**:

I. **PREMIUM PAYMENT PLAN OPTIONS**

OPTION A: QUARTERLY INSTALLMENT

1. A quarterly installment option is available upon issuance of a new policy or upon renewal of an existing policy. The quarterly installment option will include an installment charge of \$25.00 per installment or 1% of the total annual premium whichever is less. Available option shall be a quarterly (four payment) option with equal installments of 25% each.

The first installment is due (as a down payment) when the policy is issued or renewed. The remaining installments are due 3, 6, and 9 months from policy inception.

2. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account.

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Arrangements may be made to allow the Insured time to pay the outstanding balance.

3. Additional premium from a policy change shall be spread over the remaining installments, if any. If there are no remaining installments, additional premium resulting from change shall be billed immediately as a separate transaction.
4. Insureds shall have the option of paying the premium in full at any time without incurring additional fees.
5. In the event that an Insured makes his/her payment after the due date, he/she will be charged a flat late fee of \$10.00.
6. The Company shall not apply interest charge.

OPTION B: FIVE PAYMENT PLAN

1. A five payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The five payment premium plan option will include an additional 9.5% annual percentage rate finance charge. This finance charge will apply to all policyholders.
 - a. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account. Arrangements may be made to allow the practitioner time to pay the outstanding balance.
 - b. In the event that an insured makes his/her payment after the due date, he/she will be charged a flat late fee of \$10.00.

OPTION C: TWO PAYMENT PLAN

1. A two payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The two payment premium plan option will not include a finance charge or installment fee.

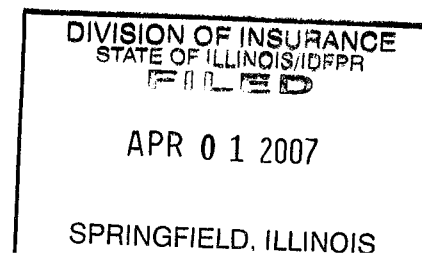
OPTION D: ANNUAL PAYMENT PLAN

1. An annual payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The annual payment premium plan option will not include a finance charge or installment fee.

Podiatry Insurance Company of America
2007 Podiatric Rates
Illinois Territory 01 - All counties except Cook

Sole Podiatrist

Limits (000 omitted)	Claims Made							
	1st Year		2nd Year		3rd Year		4th Year	
	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical
100/300	\$1,762	\$2,565	\$2,643	\$3,848	\$3,745	\$5,451	\$4,406	\$6,413
200/600	\$2,115	\$3,078	\$3,172	\$4,618	\$4,494	\$6,542	\$5,287	\$7,696
250/750	\$2,273	\$3,309	\$3,410	\$4,964	\$4,831	\$7,032	\$5,684	\$8,273
500/1000	\$2,467	\$3,591	\$3,701	\$5,387	\$5,243	\$7,631	\$6,168	\$8,978
500/1500	\$2,538	\$3,694	\$3,807	\$5,541	\$5,393	\$7,850	\$6,344	\$9,235
1000/1000	\$2,732	\$3,976	\$4,097	\$5,964	\$5,804	\$8,449	\$6,829	\$9,940
1000/3000	\$2,996	\$4,361	\$4,494	\$6,541	\$6,366	\$9,267	\$7,490	\$10,902



Podiatry Insurance Company of America
2007 Podiatric Rates
Illinois Territory 02 - Cook county only

Sole Podiatrist

Limits (000 omitted)	Claims Made							
	1st Year		2nd Year		3rd Year		4th Year	
	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical
100/300	\$2,777	\$4,042	\$4,165	\$6,063	\$5,901	\$8,589	\$6,942	\$10,105
200/600	\$3,332	\$4,850	\$4,998	\$7,276	\$7,081	\$10,307	\$8,331	\$12,126
250/750	\$3,582	\$5,214	\$5,373	\$7,821	\$7,612	\$11,080	\$8,955	\$13,035
500/1000	\$3,888	\$5,659	\$5,831	\$8,488	\$8,261	\$12,025	\$9,719	\$14,147
500/1500	\$3,999	\$5,820	\$5,998	\$8,731	\$8,497	\$12,368	\$9,997	\$14,551
1000/1000	\$4,304	\$6,265	\$6,456	\$9,398	\$9,146	\$13,314	\$10,760	\$15,663
1000/3000	\$4,721	\$6,872	\$7,081	\$10,307	\$10,032	\$14,602	\$11,802	\$17,179

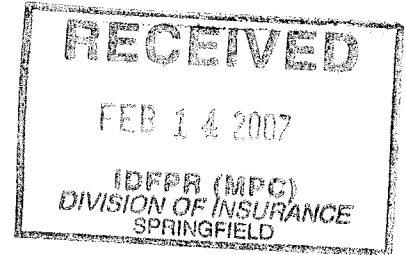
DIVISION OF INSURANCE
STATE OF ILLINOIS/IDFPR
FILED

APR 01 2007



February 9, 2007

Ms. Gayle Neuman
Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767



RE: Podiatry Insurance Company of America a Mutual Company
NAIC Group# 3504 - NAIC Company# 14460 - FEIN# 58-1403235 ✓
Line 11.1-Medical Malpractice-Claims Made Only
Podiatrist Professional Liability Program
2007 Revised Rate Filing w/currently approved rules
Company Filing Number: IL-758-P
Proposed Effective Date: April 1, 2007



Dear Ms. Neuman:

We are submitting for your approval revisions to the currently approved rates for the above referenced program. The last revision of the rates currently approved for the program were approved under SERFF Tracking SERT-6FPRJK486/00-00/00-00/00 with an effective date of 4/1/2006. The currently approved rules for the program were approved under SERFF Tracking SERT-6FPRJK486/00-00/00-00/00 with an implementation date of 2/1/2007. We currently have a revised rule filing, IL-823-P, pending your approval which includes adding a group discount and minor revisions to the extended reporting period coverage as requested by your department. There are no additional revisions to the rules being proposed under this filing.

With this filing, we are requesting a rate change of -5.0%. Our request is based upon the attached exhibits prepared by our Chief Actuary, John E. Daniel, FCAS, MAAA, whose Actuarial Memorandum is also enclosed to provide a more detailed explanation with respect to the materials being filed.

In addition, we are submitting the following:

- Two copies of the Cover Letter and a postage paid self addressed return envelope for the return of one copy of the Cover Letter with your stamp of approval.
- For your advisement, we are including a copy of the currently approved PICA Podiatric Rating Manual Ed. 1-05 and Illinois supplement. All changes have been effected via the Illinois Rating Manual Supplement. The currently approved Illinois supplement is Ed. 1-07 (effective 2/1/2007).
- We affirm that the Company does not unfairly discriminate in offering, administering, or applying the filed rating manual and/or any amended provisions. Certification by a company officer is included.
- The Illinois Dual Certification as required.
- Two copies of Illinois Form RF-3 as required.
- Proposed 2007 Rates for each Illinois Territory
- 2006 Rates for each Illinois Territory with all revisions marked.
- A completed Illinois Review Requirements Checklist.

Brenda G. Crawford • Regulatory Affairs Coordinator
110 Westwood Place • Brentwood, TN 37027

1-800-251-5727 or 615-371-8776 x. 2150 • Fax 615-370-4803 • bcrawford@picagroup.com

1-
MAN
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Page -2-
Ms. Gayle Neuman
Illinois Department of Insurance
February 9, 2007

Please do not hesitate to contact me if you need any additional information. Your review and consideration is appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Brenda G. Crawford". The signature is written in dark ink and is positioned above the printed name and title.

Brenda G. Crawford
Regulatory Affairs Coordinator
1-800-251-5727 Ext. 2150

Enclosures

ILLINOIS FORM RF-3

50 Ill. Adm. Code 754 Exhibit A Summary sheet (Form RF-3)

§ 754. Exhibit A Summary sheet (Form RF-3)

SUMMARY SHEETChange in Company's premium or rate level produced by rate revision effective April 1, 2007

(1) Coverage	(2) Annual Premium Volume (Illinois)*	(3) Percent Change (+ or -)**
1. Automobile Liability Private Passenger Commercial		
2. Automobile Physical Damage Private Passenger Commercial		
3. Liability Other Than Auto		
4. Burglary and Theft		
5. Glass		
6. Fidelity		
7. Surety		
8. Boiler and Machinery		
9. Fire		
10. Extended Coverage		
11. Inland Marine		
12. Homeowners		
13. Commercial Multi-Peril		
14. Crop Hail		
15. Worker's Compensation		
16. Other: <u>Medical Malpractice</u> <u>Line of Insurance</u>	<u>\$6,521,838 [2005 Direct Written Premium]</u>	<u>-5%</u>

Does filing only apply to certain territory (territories) or certain classes? If so, specify: This filing applies to all Territories in Illinois and Podiatric rates only.Brief description of filing. (If filing follows rates of an advisory organization, specify organization): This is a revised rate filing requesting a -5% decrease in Podiatric Professional Liability rates

*Adjusted to reflect all prior rate changes.

**Change in Company's premium level which will result from application of new rates.

Name of Company Podiatry Insurance Company of America a Mutual Company

Official - Title

John E. Daniel
John E. Daniel, FCAS, MAAA
Chief Actuary

Authority.-- Implementing Articles VII-A and XXVI of the Illinois Insurance Code (Ill. Rev. Stat. 1989, ch. 73, par. 735A) and authorized by Section 401(a) of the Illinois Insurance Code (Ill. Rev. Stat. 1989, ch. 73, par. 1013).

HISTORY Filed September 9, 1975, effective September 30, 1975; codified at 7 Ill. Reg. 3458.

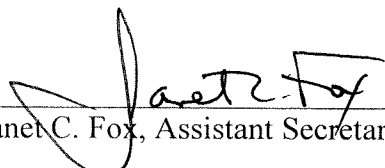
CROSS REFERENCE 215 ILCS 5/401

DOCUMENT ID IL REGS RG 50 Ill. Adm. Code 754 Exhibit A

**DIVISION OF INSURANCE
STATE OF ILLINOIS/IDFPR
RECEIVED****FEB 14 2007****SPRINGFIELD, ILLINOIS**

CERTIFICATION

I, Janet C. Fox, a duly authorized officer of
Podiatry Insurance Company of America a Mutual Company,
am authorized to certify on behalf of the Company making this filing that the company
does not unfairly discriminate in offering or administering this program.



Janet C. Fox, Assistant Secretary

2-8-07

Date

Insurance Company FEIN 58 - 1403235 Filing Number IL-758-P

Insurer's Address 110 Westwood Place

City Brentwood State TN Zip Code 37027

Contact Person's:

-Name and E-mail Brenda G. Crawford bcrawford@picagroup.com

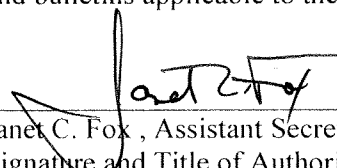
-Direct Telephone and Fax Number 1-800-251-5727 x. 2150 Fax: 615-370-4803

ILLINOIS CERTIFICATION FOR MEDICAL MALPRACTICE RATES

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.

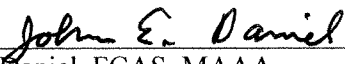
I, Janet C. Fox, a duly authorized officer of Podiatry Insurance Company of America a Mutual Company, am authorized to certify on behalf of the Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

I, John E. Daniel, FCAS, MAAA, a duly authorized actuary of Podiatry Insurance Company of America a Mutual Company am authorized to certify on behalf of Podiatry Insurance Company of America a Mutual Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.


Janet C. Fox, Assistant Secretary
Signature and Title of Authorized Insurance Company Officer

2/8/07

Date


John E. Daniel, FCAS, MAAA
Signature, Title and Designation of Authorized Actuary

2-8-07

Date

Insurance Company FEIN 58 - 1403235 Filing Number IL-758-P

Insurer's Address 110 Westwood Place

City Brentwood State TN Zip Code 37027

Contact Person's:

-Name and E-mail Brenda G. Crawford bcrawford@picagroup.com

-Direct Telephone and Fax Number 1-800-251-5727 x. 2150 Fax: 615-370-4803

Podiatry Insurance Company of America
~~2006 Podiatric Rates~~
 Illinois Territory 01 - All counties except Cook

Sole Podiatrist

Limits (000 omitted)	Claims Made							
	1st Year		2nd Year		3rd Year		4th Year	
	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical
100/300	\$1,855	\$2,700	\$2,782	\$4,050	\$3,942	\$5,738	\$4,637	\$6,758
200/600	\$2,226	\$3,240	\$3,339	\$4,860	\$4,730	\$6,885	\$5,565	\$8,108
250/750	\$2,393	\$3,483	\$3,589	\$5,225	\$5,085	\$7,402	\$5,982	\$8,708
500/1000	\$2,597	\$3,780	\$3,895	\$5,670	\$5,518	\$8,033	\$6,492	\$9,458
500/1500	\$2,671	\$3,888	\$4,007	\$5,832	\$5,676	\$8,262	\$6,678	\$9,728
1000/1000	\$2,875	\$4,185	\$4,313	\$6,278	\$6,110	\$8,894	\$7,188	\$10,463
1000/3000	\$3,153	\$4,590	\$4,730	\$6,885	\$6,701	\$9,754	\$7,883	\$11,475

Podiatry Insurance Company of America
~~2006 Podiatric Rates~~
 Illinois Territory 02 - Cook county only

Sole Podiatrist

Limits (000 omitted)	Claims Made							
	1st Year		2nd Year		3rd Year		4th Year	
	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical	Non-surg.	Surgical
100/300	\$2,923	\$4,255	\$4,385	\$6,382	\$6,211	\$9,841	\$7,388	\$10,637
200/600	\$3,508	\$5,106	\$5,261	\$7,658	\$7,454	\$10,849	\$8,769	\$12,764
250/750	\$3,771	\$5,489	\$5,656	\$8,233	\$8,013	\$11,664	\$9,427	\$13,722
500/1000	\$4,892	\$5,957	\$6,138	\$8,935	\$8,696	\$12,658	\$10,231	\$14,892
500/1500	\$4,209	\$6,127	\$6,314	\$9,198	\$8,944	\$13,019	\$10,523	\$15,317
1000/1000	\$4,531	\$6,595	\$6,796	\$9,892	\$9,628	\$14,014	\$11,327	\$16,487
1000/3000	\$4,969	\$7,233	\$7,454	\$10,850	\$10,560	\$15,371	\$12,423	\$18,083

Neuman, Gayle

From: Brenda Crawford [BCrawford@picagroup.com]
Sent: Wednesday, April 18, 2007 1:27 PM
To: Neuman, Gayle
Cc: Anderson, Julie
Subject: RE: Filing IL-823-P
Attachments: Rating Manual Supplement - IL _PICA Pod_ Ed 2-07 rev4.pdf

Hi, Gayle,

Thanks for the response and direction. We've made a revision to the Group Discount rule to clarify that Schedule Rating was removed and the Group Discount is now item E. 8. under Section I - General Rules.

We appreciate you incorporating Ed. 2-07 of the Illinois Rating Manual Supplement (upon approval) into the pending rate filing #IL-758-P.

We appreciate the continued review and look forward to a favorable reply.

Brenda Crawford
Regulatory Affairs Coordinator
The PICA Group
110 Westwood Place
Brentwood, TN 37027
Phone: 615-371-8776 Ext. 2150
Fax: 615-370-4803

-----Original Message-----

From: Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]
Sent: Monday, April 16, 2007 2:06 PM
To: Brenda Crawford
Cc: Anderson, Julie
Subject: Filing IL-823-P

Ms. Crawford,

Thank you for your e-mail which will conclude the review of the extended reporting period.

In previous filings, the Rating Manual Supplement for Illinois included an exclusion for Item E. 8. Schedule Rating under Section I. GENERAL RULES. This was omitted in the recent submission. The Group Discount was added to that Section without removing the Schedule Rating language. The other option would be to update the actual manual pages, however I assume those pages apply in other states.

Additionally, all pages submitted under this filing will be incorporated with the rates pages under filing #IL-758-P.

Your prompt attention is appreciated.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting any filing. The checklists can be accessed through the Department's website (<http://www.idfpr.com/>) by clicking on: Insurance; Industry; Regulatory; IS3 Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

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RATING MANUAL SUPPLEMENT
Podiatry Insurance Company of America

State of Illinois

- I. Item # 3 under Subsection H. **POLICY CANCELLATION** of Section I. **GENERAL RULES** is hereby deleted in its entirety and replaced with the following:

3. A policy canceled for non-payment of premium will not be reinstated unless the total amount of outstanding premium is received. If payment is received after the effective date of cancellation, the policy may be reinstated with a satisfactory underwriting review, and will be charged a \$50 reinstatement fee.
- a. Cancellation for non-payment will not be effective for 10 working days. Postal holidays and weekends will extend the number of days.
- b. Cancellation notice will be sent by certified mail return receipt requested.

- II. Section **IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)** is hereby deleted in its entirety and replaced with the following:

IV. EXTENDED REPORTING PERIOD COVERAGE (OPTIONAL EXTENSION COVERAGE)

For Malpractice Liability

- A. The premium for the optional Extended Reporting Period Coverage shall be the product of the applicable percentage factor in the following Table and the expiring annual premium of the policy:

<u>Years of Prior PICA Claims-Made Coverage</u>	<u>Percentage of 4th Year Claims-Made Premium</u>
One	100%
Two	155%
Three	175%
Four or More	180%

The number of consecutive years of prior claims-made coverage shall be determined as of the date the optional Extended Reporting Period Coverage is purchased.

- B. The availability of Extended Reporting Period Coverage shall be governed by the following rules, subject to underwriting approval.

1. Available Limits of Liability shall not exceed those afforded under the current claims-made policy.
2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of alleged malpractice which occurred on or after the retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance) for a period of unlimited duration.
3. Extended Reporting Period Coverage is granted at no charge in the event of death or permanent disability or in the event of permanent retirement at any age after 5 years of continuous coverage. Permanent disability is defined as having existed continuously for not less than six months, having rendered the Insured unable or incapable of practicing or continuing to practice, and expected to be continuous and permanent.
4. Extended Reporting Period Coverage will be available to all podiatric physicians.
5. Should an insured terminate coverage, the insured may purchase optional Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 30 days of the effective date of termination; and
 - b. any outstanding premium with respect to the terminated policy is paid
6. An insured who retires from practice will receive a discount from the applicable Extended Reporting Period Coverage premium for each consecutive year with PICA. These discounts are reflected in the following Table.

<u>Consecutive Years with PICA</u>	<u>Discount Applicable To Extended Reporting Period Coverage Premium</u>
1	20%
2	40%
3	60%
4	80%
5	100%

Credit on a two for one basis to bridge prior PICA coverage may be granted toward the retirement tail coverage.

Consideration may be given to new applicants to allow credit for consecutive years of coverage with another carrier subject to underwriting approval.

7. Extended Reporting Period Coverage premium will be waived for policyholders who have been insured by PICA for 10 years and enter full time academia.
8. The Company shall inform the Insured of the optional Extended Reporting Period Coverage (ERP) premium at the time the last policy is purchased. The Company may not wait until the Insured requests to purchase the ERP to tell the Insured what the premium will be or how the premium would be calculated.
9. The following credits: Employed Podiatrist, New Practitioner, Part-Time, Semi-Retired and Residency Director (as defined under Rule I.E.) shall, if applicable, be applied when determining the final extended reporting period premium.

The following credits: Leave of Absence and Risk Management (as defined under Rule I.E.) shall not be applied when determining the final extended reporting period premium.

For General Liability

- A. For General Liability, there is no additional premium charge for an unlimited reporting period under the optional Extended Reporting Period Coverage.
- B. The availability of Extended Reporting Period Coverage shall be governed by the following rules, subject to underwriting approval.
 1. During the Automatic Extended Reporting Period, the aggregate liability limit shall be equal to the amount of coverage remaining in the policy's annual aggregate liability limit at termination.

Under the option of an unlimited reporting period, the aggregate liability limit of the current claims-made policy shall be reinstated for the duration of the extended reporting period.

2. Extended Reporting Period Coverage applies to claims first made against the insured immediately following the effective date of cancellation or non-renewal; but only by reason of bodily injury, property damage or personal injury which occurred on or after the

retroactive date and prior to the effective date of cancellation or non-renewal (and which is otherwise covered by this insurance).

3. Extended Reporting Period Coverage will be available to all podiatric physicians.
4. Should an insured terminate coverage, the insured has the option of Extended Reporting Period Coverage. The insured is eligible for this coverage provided:
 - a. The insured requests Extended Reporting Period Coverage within 60 days of the effective date of termination; and
 - b. any outstanding premium with respect to the terminated policy is paid

III. **Item E. 8. Schedule Rating** under Section I. **GENERAL RULES** is hereby deleted in its entirety.

IV. The following is added to Rule E., 3. Risk Management under Section I. **GENERAL RULES:**

IPMA and APMA members who attend the PICA sponsored Risk Management Seminar at either the Annual APMA or IPMA will receive a 15% Risk Management discount.

V. The following is hereby added as **Rule I. Premium Payment Plan Options** under **SECTION I. GENERAL RULES:**

I. PREMIUM PAYMENT PLAN OPTIONS

OPTION A: QUARTERLY INSTALLMENT

1. A quarterly installment option is available upon issuance of a new policy or upon renewal of an existing policy. The quarterly installment option will include an installment charge of \$25.00 per installment or 1% of the total annual premium whichever is less. Available option shall be a quarterly (four payment) option with equal installments of 25% each.

The first installment is due (as a down payment) when the policy is issued or renewed. The remaining installments are due 3, 6, and 9 months from policy inception.

2. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account.

Arrangements may be made to allow the Insured time to pay the outstanding balance.

3. Additional premium from a policy change shall be spread over the remaining installments, if any. If there are no remaining installments, additional premium resulting from change shall be billed immediately as a separate transaction.
4. Insureds shall have the option of paying the premium in full at any time without incurring additional fees.
5. In the event that an Insured makes his/her payment after the due date, he/she will be charged a flat late fee of \$10.00.
6. The Company shall not apply interest charge.

OPTION B: FIVE PAYMENT PLAN

1. A five payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The five payment premium plan option will include an additional 9.5% annual percentage rate finance charge. This finance charge will apply to all policyholders.
 - a. Collection: Past due accounts will be sent for collection after three attempts have been made to clear the account. Arrangements may be made to allow the practitioner time to pay the outstanding balance.
 - b. In the event that an insured makes his/her payment after the due date, he/she will be charged a flat late fee of \$10.00.

OPTION C: TWO PAYMENT PLAN

1. A two payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The two payment premium plan option will not include a finance charge or installment fee.

OPTION D: ANNUAL PAYMENT PLAN

1. An annual payment premium plan option is available upon issuance of a new policy or upon renewal of an existing policy. The annual payment premium plan option will not include a finance charge or installment fee.



April 11, 2007

Julie Anderson, ACAS
Associate Casualty Actuary
Illinois Department of Financial and Professional Regulation
Division of Insurance
320 West Washington Street
Springfield, Illinois 62767

Re: Company Rate Filing # IL-758-P

Dear Ms. Anderson:

This letter is written in response to your inquiry of 4/2/2007. The various items you requested are listed below.

Item 1): Actuarial support for the General Administrative Support ratio is provided in the attached Appendix, Exhibit 1.

Item 2): The reason for the drop in the General Administrative Expense ratio is the shift of the OUM business formerly assumed under a 50% quota share agreement from Gulf Insurance Company to Direct business. We are providing the same administrative and claims adjusting services but no longer splitting the premium.

Item 3): PICA has historically used averages over several years but does not believe that this is appropriate any longer due to the increase in Direct premium mentioned above.

Item 4): The profit and contingencies load shown in Table 1 is not derived actuarially. It is selected by PICA management to achieve a combined ratio of 95%. PICA management believes that this ratio is appropriate for maintaining the solvency of the company.

Item 5): Actuarial support for the investment income percentage shown in Table 1 can be found in the attached Appendix, Exhibit 2.

Item 6): Under a separate pending rule filing (IL-823-P), PICA has filed a group discount rule. This discount was previously applied under the schedule rating rule which has now been removed from the PICA Pod Rating Manual effective 2/1/2007. As of 4/1/2007, PICA has 27 policyholders receiving this group discount. As per the proposed rule, 9% will be the maximum group discount. There are no policyholders receiving a debit.

Item 7): As stated in item 6., PICA has removed schedule rating from the PICA Pod Rating Manual but requested the inclusion of a group discount rule. The group discount is the only use/application of a credit under the previous schedule rating rule. Under the previous schedule rating provision, there was reference to a combined maximum credit or debit of 25%; however, the maximum credit (discount) will be 9% for the group discount.

Item 8): All policies will receive the same 5% increase. The maximum increase in dollars for a single policy is \$1,627.

Item 9): The average premium charged is \$9,439.

Please let me know if you have any additional questions.

Sincerely,

John E. Daniel

John E. Daniel, FCAS, MAAA
Chief Actuary, The PICA Group

Neuman, Gayle

From: Neuman, Gayle
Sent: Monday, April 16, 2007 2:06 PM
To: 'Brenda Crawford'
Cc: Anderson, Julie
Subject: Filing IL-823-P

Ms. Crawford,

Thank you for your e-mail which will conclude the review of the extended reporting period.

In previous filings, the Rating Manual Supplement for Illinois included an exclusion for Item E. 8. Schedule Rating under Section I. GENERAL RULES. This was omitted in the recent submission. The Group Discount was added to that Section without removing the Schedule Rating language. The other option would be to update the actual manual pages, however I assume those pages apply in other states.

Additionally, all pages submitted under this filing will be incorporated with the rates pages under filing #IL-758-P.

Your prompt attention is appreciated.

Gayle Neuman
Property & Casualty Compliance, Division of Insurance
Illinois Department of Financial & Professional Regulation
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting any filing. The checklists can be accessed through the Department's website (<http://www.idfpr.com/>) by clicking on: Insurance; Industry; Regulatory; IS3 Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

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Contact Person:
Gayle Neuman
217-524-6497
Gayle.Neuman@illinois.gov

Illinois Division of Insurance
Review Requirements Checklist

320 West Washington Street
Springfield, IL 62767-0001

Effective as of 8/25/06

<u>Line(s) of Business</u>	<u>Code(s)</u>	
<input checked="" type="checkbox"/> MEDICAL MALPRACTICE	11.0000	***This checklist is for rate/rule
<input type="checkbox"/> Claims Made	11.10000	filings only.
<input type="checkbox"/> Occurrence	11.2000	See separate form checklist.

<u>Line(s) of Insurance</u>	<u>Code(s)</u>	<u>Line(s) of Insurance</u>	<u>Code(s)</u>	<u>Line(s) of Insurance</u>	<u>Code(s)</u>
<input type="checkbox"/> Acupuncture	11.0001	<input type="checkbox"/> Hospitals	11.0009	<input type="checkbox"/> Optometry	11.0019
<input type="checkbox"/> Ambulance Services	11.0002	<input type="checkbox"/> Professional Nurses	11.0032	<input type="checkbox"/> Osteopathy	11.0020
<input type="checkbox"/> Anesthetist	11.0031	<input type="checkbox"/> Nurse – Anesthetists	11.0010	<input type="checkbox"/> Pharmacy	11.0021
<input type="checkbox"/> Assisted Living Facility	11.0033	<input type="checkbox"/> Nurse – Lic. Practical	11.0011	<input type="checkbox"/> Physical Therapy	11.0022
<input checked="" type="checkbox"/> Chiropractic	11.0003	<input type="checkbox"/> Nurse – Midwife	11.0012	<input type="checkbox"/> Physicians & Surgeons	11.0023
<input type="checkbox"/> Community Health Center	11.0004	<input type="checkbox"/> Nurse – Practitioners	11.0013	<input type="checkbox"/> Physicians Assistants	11.0024
<input type="checkbox"/> Dental Hygienists	11.0005	<input type="checkbox"/> Nurse – Private Duty	11.0014	<input type="checkbox"/> Podiatry	11.0025
<input type="checkbox"/> Dentists	11.0030	<input type="checkbox"/> Nurse – Registered	11.0015	<input type="checkbox"/> Psychiatry	11.0026
<input type="checkbox"/> Dentists – General Practice	11.0006	<input type="checkbox"/> Nursing Homes	11.0016	<input type="checkbox"/> Psychology	11.0027
<input type="checkbox"/> Dentists – Oral Surgeon	11.0007	<input type="checkbox"/> Occupational Therapy	11.0017	<input type="checkbox"/> Speech Pathology	11.0028
<input type="checkbox"/> Home Care Service Agencies	11.0008	<input type="checkbox"/> Ophthalmic Dispensing	11.0018	<input type="checkbox"/> Other	11.0029

Illinois Insurance Code Link	Illinois Compiled Statutes Online	
Illinois Administrative Code Link	Administrative Regulations Online	
Product Coding Matrix Link	Product Coding Matrix	
NAIC Uniform Transmittal Form	50 IL Adm. Code 929 NAIC Uniform Transmittal Form	If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in the "Cover Letter & Explanatory Memorandum" section below are properly included.
NAIC Self-Certification Pilot Program	Newsletter Article regarding Division's Participation Self-Certification form	If an authorized company officer completes the Self-Certification form, and submits such form as the 1 st page of the filing, the Division will expedite review of the filing ahead of all other filings received to date. The Division will track company compliance with the laws, regulations, bulletins, and this checklist and report such information to the NAIC.
Location of Standard within Filing Column	See checklist format below.	To expedite review of your filing, use this column to indicate location of the standard within the filing (e.g. page #, section title, etc.)
Description of Review Standards Requirements Column	See checklist format below.	These brief summaries do not include all requirements of all laws, regulations, bulletins, or requirements, so review actual law, regulation, bulletin, or requirement for details to ensure that forms are fully compliant before filing with the Division of Insurance.

FILING REQUIREMENTS FOR FORM FILINGS	REFERENCE	DESCRIPTION OF REVIEW STANDARD REQUIREMENT	LOCATION OF STANDARD WITHIN FILING
See separate form filing checklist.		<p>To assist insurers in submitting compliant medical liability rate/rule filings as a result of newly-passed PA94-677 (SB475), the Division has created this separate, comprehensive rate/rule filing checklist for medical liability filings.</p> <p>Please see the separate form filing checklist for requirements related to medical liability forms.</p>	
GENERAL FILING REQUIREMENTS FOR ALL RATE/RULE FILINGS			
LINE OF AUTHORITY			
Must have proper Class and Clause authority to conduct this line of business in Illinois.	<u>215 ILCS 5/4</u> <u>List of Classes/Clauses</u>	<p>To write Medical Liability insurance in Illinois, companies must be licensed to write:</p> <p>1. Class 2, Clause (c)</p>	Agree.
RATES AND RULES REQUIRED TO BE FILED			
Rates/Rules Must be Filed Separately from Forms			
Insurers shall make separate filings for rate/rules and for forms/endorsements, etc.		<p>The laws and regulations for medical liability forms/endorsements and the laws for medical liability rates/rules are different and each must be reviewed according to its own set of laws/regulations/procedures. Therefore, insurers are required to file forms and rates/rules separately.</p> <p>For requirements regarding form filings, see separate form filing checklist.</p>	Agree
New Insurers			
New insurers must file their rates, rules, plans for gathering statistics, etc. upon commencement of business.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	<p>New Insurers are insurers who are:</p> <ul style="list-style-type: none"> • New to Illinois. • New writers of medical liability insurance in Illinois. • Writing a new Line of Insurance listed on Page 1 of this checklist, <p>New insurers must file the following:</p> <p>a) Medical liability insurance rate manual, including all rates.</p>	N/A

- b) Rules, including underwriting rule manuals which contain rules for applying rates or rating plans,
- c) Classifications and other such schedules used in writing medical liability insurance.
- d) Statement regarding whether the insurer:

- Has its own plan for the gathering of medical liability statistics; or
- Reports its medical liability statistics to a statistical agent (and if so, which agent).

The Director, at any time, may request a copy of the insurer's statistical plan or request the insurer to provide written verification of membership and reporting status from the insurer's reported statistical agency.

Insurers are instructed to review all requirements in this checklist, including the requirements for applicable actuarial documentation, as well as all medical liability laws and regulations, to ensure that the filing contains all essential elements before submitting the filing to the Division.

Amendments to Initial Rate/Rule Filings

After a new insurer has filed the rates/rules/information described above, insurers must file rates/rules, or advise of changes to statistical plans, as often as they are amended.

215 ILCS 5/155.18

50 IL Adm. Code 929

After a new insurer has filed the rates/rules/information described above, insurers must file rates/rules/rating schedules (as described above for new business) as often as such filings are changed or amended, or when any new rates or rules are added.

Any change in premium to the company's insureds as a result of a change in the company's base rates or a change in its increased limits factors shall constitute a change in rates and shall require a filing with the Director.

Insurers shall also advise the Director if its plans for the gathering of statistics has changed, or if the insurer has changed statistical agents.

The Director, at any time, may request a copy of the insurer's statistical plan or request the insurer to provide written verification of membership and reporting status from the insurer's reported statistical agency.

Insurers are instructed to review all requirements in this checklist, including the requirements for applicable actuarial documentation, as well as all medical liability laws and regulations, to ensure that the filing contains all essential elements before submitting the filing to the Division.

Agree/All

EFFECTIVE DATES OF RATE/RULE FILINGS

Illinois is "file and use" for medical liability rates and rules.

215 ILCS 5/155.18

50 IL Adm. Code

A rate/rating plan/rule filing shall go into effect no earlier than the date the filing is received by the Division of Insurance, Property & Casualty

Agree

	<u>929</u>	Compliance Section, except as otherwise provided in Section 155.18.	
ADOPTIONS OF ADVISORY ORGANIZATION FILINGS			
Insurer must file all rates and rules on its own behalf.	<u>50 IL Adm. Code 929</u>	Although Rule 929 allows for insurers to adopt advisory organization rule filings, advisory organizations no longer file rules in Illinois.	Agree
COPIES, RETURN ENVELOPES, ETC.			
Requirement for duplicate copies and return envelope with adequate postage.	<u>50 IL Adm. Code 929</u>	Insurers that desire a stamped returned copy of the filing or submission letter must submit a duplicate copy of the filing/letter, along with a return envelope large enough and containing enough postage to accommodate the return filing.	Agree
COVER LETTER & EXPLANATORY MEMORANDUM			
Two copies of a submission letter are required, and the submission letter must contain the information specified.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	All filings must be accompanied by a submission letter which includes <u>all</u> of the following information: 1) Exact name of the company making the filing. 2) Federal Employer Identification Number (FEIN) of the company making the filing. 3) Unique filing identification number – may be alpha, numeric, or both. Each filing number must be unique within a company and may not be repeated on subsequent filings. If filing subsequent revisions to a pending filing, use the same filing number as the pending filing or the revision(s) will be considered a new filing. 4) Identification of the classes of medical liability insurance to which the filing applies (for identifying classes, refer to Lines of Insurance shown on Page 1 of this checklist, in compliance with the NAIC Product Coding Matrix). 5) Notification of whether the filing is new or supersedes a present filing. If filing supersedes a present filing, insurer must identify <u>all</u> changes in superseding filings, <u>and all</u> superseded filings, including the following information: <ul style="list-style-type: none"> • Copy of the complete rate/rule manual section(s) being changed by the filing with all changes clearly highlighted or otherwise identified. • Written statement that all changes made to the superseded filing have been disclosed. • List of all pages that are being completely superseded or replaced with new pages. • List of pages that are being withdrawn and not being replaced. • List of new pages that are being added to the 	Agree
"Me too" filings are not allowed.	<u>Company Bulletin 88-53</u>		
Use of NAIC Uniform Transmittal form is acceptable as long as all required information is included.	<u>Actuarial Certification Form</u> <u>NAIC Uniform Transmittal Form</u>		
			Agree/All Complete Podiatric Rating Manual Ed. 1-05 attached. Any changes are effected via the Illinois Rating Manual Supplement Ed. 1-07 as attached.

- superseded filing.
- Copies of all manual pages that are affected by the new filing, including but not limited to subsequent pages that are amended solely by receiving new page numbers.

6) Effective date of use.

7) Actuarial certification (see Actuarial Certification section below). Insurers may use their own form or may use the sample form developed by the Division.

8) Statement that the insurer, in offering, administering, or applying the filed rate/rule manual and/or any amended provisions, does not unfairly discriminate.

Certification attached.

Companies under the same ownership or general management are required to make separate, individual company filings. Company Group ("Me too") filings are unacceptable.

If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in this section is properly included.

FORM RF-3 Summary Sheet

For any rate change, duplicate copies of Form RF-3 must be filed, no later than the effective date.

50 IL Adm. Code 929

Form RF-3
Summary Sheet

For any rate level change, insurers must file two copies of Form RF-3 (Summary Sheet) which provides information on changes in rate level based on the company's premium volume, rating system, and distribution of business with respect to the classes of medical liability insurance to which the rate revision applies. Such forms must be received by the Division's Property & Casualty Compliance Section no later than the stated effective date of use.

Agree/ Attached

Insurers must report the rate change level and premium volume amounts on the "Other" Line and insert the words "Medical Liability" on the "Other" descriptive line. Do not list the information on the "Other Liability" line.

Agree

N/A

If the Medical Liability premium is combined with any other Lines of Business (e.g. CGL, commercial property, etc.), the insurer must report the effect of rate changes to each line separately on the RF-3, indicating the premium written and percent of rate change for each line of business.

Agree

The RF-3 form must indicate whether the information is "exact" or "estimated."

PAYMENT PLANS

Quarterly premium payment installment

215 ILCS 5/155.18

A company writing medical liability insurance in Illinois shall offer to each of its medical liability

Agree/All

plan required as prescribed by the Director.

insureds the option to make premium payments in quarterly installments as prescribed by and filed with the Director. Such option must be offered in the initial offer of the policy or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer need not offer the option, but if the insured requests it, must make it available. Such plans are subject to the following minimum requirements:

Included via the Illinois Rating Manual Supplement Ed. 1-07 as attached.

- May not require more than 40% of the estimated total premium to be paid as the initial payment;
- Must spread the remaining premium equally among the 2nd, 3rd, and 4th installments, with the maximum set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively;
- May not apply interest charges;
- May include an installment charge or fee of no more than the lesser of 1% of the total premium or \$25;
- Must spread any additional premium resulting from changes to the policy equally over the remaining installments, if any. If there are no remaining installments, the additional premium may be billed immediately as a separate transaction; and
- May, but is not required to offer payment plan for extensions of a reporting period, or to insureds whose annual premiums are less than \$500. However, if offered to either, the plan must be made available to all within that group.

DEDUCTIBLES

Deductible plans should be filed if offered.

215 ILCS 5/155.18

A company writing medical liability insurance in Illinois is encouraged, but not required, to offer the opportunity for participation in a plan offering deductibles to its medical liability insureds. Any such plan shall be contained in a filed rate/rule manual section entitled "Deductibles Offered" or substantially similar title. If an insurer uses a substantially similar title, the Rate/Rule Submission Letter or NAIC Uniform Transmittal form must indicate the name of the section that applies.

N/A

DISCOUNTS

Premium discount for risk management activities should be filed if offered.

215 ILCS 5/155.18

A company writing medical liability insurance in Illinois is encouraged, but not required, to offer their medical liability insureds a plan providing premium discounts for participation in risk management activities. Any such plan shall be contained in a filed rate/rule manual section entitled "Risk Management Activities Discounts" or substantially similar title. If an insurer uses a substantially similar title, the Rate/Rule Submission Letter or NAIC Uniform Transmittal form must indicate the name of the

Agree.
Included in Rating Manual Ed. 1-05 and via Illinois Rating Manual Supplement Ed. 1-07

CLAIMS MADE REQUIREMENTS

Extended reporting period (tail coverage) requirements.

215 ILCS 5/143(2)

Company Bulletin 88-50

section that applies.

When issuing claims-made medical liability insurance policies, insurers must include the following specific information in their rate/rule manuals:

Agree. Incuded via Illinois Rating Manual Supplement Ed. 1-07 as attached.

- Offer of an extended reporting period (tail coverage) of at least 12 months. The rate/rule manual must specify whether the extended reporting period is unlimited or indicate its term (i.e. number of years).***
- Cost of the extended reporting period, which must be priced as a factor of one of the following:***
 - the last 12 months' premium.
 - the premium in effect at policy issuance.
 - the expiring annual premium.
- List of any credits, discounts, etc. that will be added or removed when determining the final extended reporting period premium.
- Insurer will inform the insured of the extended reporting period premium at the time the last policy is purchased. The insurer may not wait until the insured requests to purchase the extended reporting period coverage to tell the insured what the premium will be or how the premium would be calculated.
- Insurer will offer the extended reporting period when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.
- Insurer will allow the insured 30 days after the policy is terminated to purchase the extended reporting period coverage.***
- Insurer will trigger the claims made coverage when notice of claim is received and recorded by the insured or company, whichever comes first.

***If the medical liability coverage is combined with other professional or general liability coverages, the medical liability insurer must meet all of the above requirements, except those indicated with ***, in which case, the insurer must:

- Offer free 5-year extended reporting period (tail coverage) or
- Offer an unlimited extended reporting period with the limits reinstated (100% of aggregate

		<p>expiring limits for the duration)</p> <ul style="list-style-type: none"> • Cap the premium at 200% of the annual premium of the expiring policy; and • Give the insured a free-60 day period after the end of the policy to request the coverage. 	
GROUP MEDICAL LIABILITY			
Group medical liability insurance is not specifically allowed under the Illinois Insurance Code.	<u>50 IL Adm. Code 906</u>	Part 906 of the Illinois Administrative Code prohibits writing of group casualty (liability) insurance unless specifically authorized by statute. The Illinois Insurance Code does not specifically authorize the writing of group medical liability insurance.	Agree
CANCELLATION & NONRENEWAL PROVISION REQUIREMENTS			
If rate/rule manuals contain language pertaining to cancellation or nonrenewal, must comply with all cancellation/nonrenewal laws.	See Medical Liability Forms Checklist for Specific Information about Illinois Cancellation & Nonrenewal Laws and Regulations,	If a rate or rule manual contains language pertaining to cancellation or nonrenewal of any medical liability insurance coverage, such provisions must comply with all cancellation and nonrenewal provisions of the Illinois Insurance Code, including but not limited to the following: 143.10, 143.16, 143.16a, 143.17a. See Medical Liability Forms Checklist for Specific Information about Illinois Cancellation & Nonrenewal Laws and Regulations.	Agree
ACTUARIAL REVIEW REQUIREMENTS			
Rates shall not be excessive, inadequate, or unfairly discriminatory.	<u>215 ILCS 5/155.18</u>	<p>In the making or use of rates pertaining to all classes of medical liability insurance, rates shall not be excessive, or inadequate, nor shall they be unfairly discriminatory.</p> <p>Rate and rule manual provisions should be defined and explained in a manner that allows the Division to ascertain whether the provision could be applied in an unfairly discriminatory manner. For example, if a rate/rule manual contains ranges of premiums or discounts, the provision must specify the criteria to determine the specific premium/discount an insured or applicant would receive.</p> <p>The Director may, by order, adjust a rate or take any other appropriate action at the conclusion of a public hearing.</p>	Agree
PRICING			

Insurers shall consider certain information when developing medical liability rates.	<u>215 ILCS 5/155.18</u>	<p>Consideration shall be given, to the extent applicable, to past and prospective loss experience within and outside this State, to a reasonable margin for underwriting profit and contingencies, to past and prospective expenses both countrywide and those especially applicable to Illinois, and to all other factors, including judgment factors, deemed relevant within and outside Illinois.</p> <p>Consideration may also be given in the making and use of rates to dividends, savings or unabsorbed premium deposits allowed or returned by companies to their policyholders, members or subscribers.</p> <p>The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.</p>	Agree/All
Minimum Premium Rules			
Insurers may group or classify risks for establishing rates and minimum premiums.	<u>215 ILCS 5/155.18</u>	Risks may be grouped by classifications for the establishment of rates and minimum premiums.	N/A
"A" RATED RISKS			
Individual Risk Rating			
Risks may be rated on an individual basis as long as all provisions required in Section 155.18 are met.	<u>215 ILCS 5/155.18</u>	Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any difference among risks that have a probable effect upon losses or expenses. Such classifications or modifications of classifications of risks may be established based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable considerations, and shall apply to all risks under the same or substantially the same circumstances or conditions. The rate for an established classification should be related generally to the anticipated loss and expense factors or the class.	N/A
RISK CLASSIFICATION			
Risks may be grouped by classifications.	<u>215 ILCS 5/155.18</u>	Risks may be grouped by classifications for the establishment of rates and minimum premiums.	Agree
Rating decisions based solely on domestic violence.	<u>215 ILCS 5/155.22b</u>	No insurer may that issues a property and casualty policy may use the fact that an applicant or insured incurred bodily injury as a result of a battery committed against him/her by a spouse or person in the same household as a sole reason for a rating decision.	Agree
Unfair methods of	<u>215 ILCS 5/424(3)</u>	It is an unfair method of competition or unfair and	Agree

competition or unfair or deceptive acts or practices defined.		deceptive act or practice if a company makes or permits any unfair discrimination between individuals or risks of the same class or of essentially the same hazard and expense element because of the race, color, religion, or national origin of such insurance risks or applicants.	
Procedure as to unfair methods of competition or unfair or deceptive acts or practices not defined.	<u>215 ILCS 5/429</u>	Outlines the procedures the Director follows when he has reason to believe that a company is engaging in unfair methods of competition or unfair or deceptive acts or practices.	Agree
Territorial Definitions			
Rate/rule manuals must contain correct and adequate definitions of Illinois territories.	<u>215 ILCS 5/155.18</u>	When an insurer's rate/rule program includes differing territories within the State of Illinois, rate/rule manuals must contain correct and adequate definitions of those territories, and that all references to the territories or definitions are accurate, so the Division does not need to request additional information.	Agree. See Rate Pages.
ACTUARIAL SUPPORT INFORMATION REQUIRED			
ACTUARIAL CERTIFICATION			
Actuarial certification must accompany all rate filings and all rule filings that affect rates.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u> <u>Actuarial Certification Form</u>	Every rate and/or rating rule filing must include a certification by an officer of the company and a qualified actuary that the company's rates and/or rules are based on sound actuarial principles and are not inconsistent with the company's experience. Insurers may use their own form or may use the sample form created by the Division.	Agree. Dual Certification included with filing.
ACTUARIAL OR STATISTICAL INFORMATION			
Director may request actuarial and statistical information.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	The Director may require the filing of statistical data and any other pertinent information necessary to determine the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, rates, forms or any combination thereof. If the Director requests information or statistical data to determine the manner the insurer used to set the filed rates and/or to determine the reasonableness of those rates, as well as the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, or any combination thereof, the insurer shall provide such data or information within 14 calendar days of the Director's request.	Agree/All
Explanatory Memorandum			
Insurers shall include actuarial explanatory memorandum with any	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code</u>	Insurers shall include actuarial explanatory memorandum with any rate filing, as well as any rule filing that affects the ultimate premium. The	Agree. Actuarial Memo included under filing

rate filing, as well as any rule filing that affects the ultimate premium.	<u>929</u>	<p>explanatory memorandum shall contain, at minimum, the following information:</p> <ul style="list-style-type: none"> • Explanation of ratemaking methodologies. • Explanations of specific changes included in the filing. • Narrative that will assist in understanding the filing. 	
Summary of Effects Exhibit			
Insurers shall include an exhibit illustrating the effect of each change and calculation indicating how the final effect was derived.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit illustrating the effect of each individual change being made in the filing (e.g. territorial base rates, classification factor changes, number of exposures affected by each change being made, etc.), and include a supporting calculation indicating how the final effect was derived.	Agree. See Tables and Exhibits.
Actuarial Indication			
Insurers shall include actuarial support justifying the overall changes being made.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	<p>Insurers shall include actuarial support justifying the overall changes being made, including but not limited to:</p> <ul style="list-style-type: none"> • Pure premiums (if used). • Earned premiums. • Incurred losses. • Loss development factors. • Trend factors. • On-Level factors. • Permissible loss ratios, etc. 	Agree. See Tables and Exhibits
Loss Development Factors and Analysis			
Insurers shall include support for loss development factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include actuarial support for loss development factors and analysis, including but not limited to loss triangles and selected factors, as well as support for the selected factors.	Agree. See Tables and Exhibits
Ultimate Loss Selections			
Insurers shall include support for ultimate loss selections.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for ultimate loss selections, including an explanation of selected losses if results from various methods differ significantly.	Agree. See Tables and Exhibits
Trend Factors and Analysis			
Insurers shall include support for trend factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for trend factors and analysis, including loss and premium trend exhibits demonstrating the basis for the selections used.	Agree. See Tables and Exhibits
On-Level Factors and Analysis			
Insurers shall include support for on-level factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for on-level factors and analysis, including exhibits providing on-level factors and past rate changes included in calculations.	Agree. See Tables and Exhibits
Loss Adjustment Expenses			

Insurers shall include support for loss adjustment expenses.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for loss adjustment expenses, including exhibits providing documentation to support factors used for ALAE and ULAE. If ALAE is included in loss development analysis, no additional ALAE exhibit is required.	Agree. See Tables and Exhibits
Expense Exhibit			
Insurers shall include an expense exhibit.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit indicating all expenses used in the calculation of the permissible loss ratio, including explanations and support for selections.	Agree. See Tables and Exhibits
Insurers may use expense provisions that differ from those of other companies or groups of companies.		The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.	
Investment Income Calculation			
Insurers shall include an exhibit for investment income calculation.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit demonstrating the calculation for the investment income factor used in the indication.	Agree. See Tables and Exhibits
Profit and Contingencies Calculation			
Insurers shall include an exhibit for profit and contingencies load.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit illustrating the derivation of any profit and contingencies load.	Agree. See Tables and Exhibits
Credibility Standard Used			
Insurers shall include the number of claims being used to calculate the credibility factor.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers should include the number of claims being used to calculate the credibility factor. If another method of calculating credibility is utilized, insurers should include a description of the method used.	Agree. See Tables and Exhibits
Other Actuarial Information Required			
Insurers must include the information described in this section.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	<p>Insurers shall also include the following information:</p> <ul style="list-style-type: none"> • All actuarial support/justification for all rates being changed, including but not limited to changes in: <ul style="list-style-type: none"> ○ Base rates; ○ Territory definitions; ○ Territory factor changes; ○ Classification factor changes; ○ Classification definition changes; ○ Changes to schedule credits/debits, etc. • Exhibits containing current and proposed rates/factors for all rates and classification factors, etc. being changed. 	Agree. See Tables and Exhibits

- Any exhibits necessary to support the filing that are not mentioned elsewhere in this checklist.

Schedule Rating

Insurers must include the described information described at right.

215 ILCS 5/155.18

50 IL Adm. Code
929

Insurers should include appropriate actuarial justification when filing schedule rating plans and/or changes to schedule rating plans.

N/A – Schedule Rating removed via IL Rating Supp. Ed. 1-07



ACTUARIAL MEMORANDUM
PODIATRY INSURANCE COMPANY OF AMERICA (PICA)
2007 ILLINOIS PODIATRIC RATE INDICATION

Enclosed are exhibits to support PICA's proposed statewide average podiatric rate change of -5.00% (Table 1, Line 20) in Illinois. The point estimate indicated rate change is -4.84% (Table 1, Line 19). The selected rate change reflects PICA management's consideration of underwriting, legislative, and marketing issues.

It is my belief that the attached Tables and Exhibits indicate that the proposed rate change is not inadequate, excessive, or unfairly discriminatory. If you have any questions concerning these Tables and Exhibits, please call me at (615) 984-2030 or email me at jdaniel@picagroup.com.

Sincerely,

John E. Daniel

John E. Daniel, FCAS, MAAA
Chief Actuary
The PICA Group

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Table 1

INDICATED RATE CHANGE FOR 2007

Expense Item	Percentage of Written Premium
(1) General Administrative Expense	17.52%
(2) Profit and Contingencies	5.00%
(3) Investment Income	-5.92%
(4) Taxes, Licenses, and Fees	0.50%
(5) Total	17.10%
(6) Target Loss & LAE Ratio	82.90%
(7) Loss + ALAE	45.81%
(8) ULAE	5.76%
(9) Death, Disability, and Retirement Loading	5.00%
(10) Total Loss & LAE	56.57%
(11) Indicated Rate Change	-31.76%
(12) Annual Loss Cost Trend Factor	1.046
(13) Beginning of Trend Period	4/1/2006
(14) Ending of Trend Period	4/1/2008
(15) Length of Trend Period in Years	2.00
(16) Trend Factor Since Last Filing	1.094
(17) Complement of Credibility for Rate Change	9.40%
(18) Credibility Factor	34.60%
(19) Credibility Weighted Indicated Rate Change	-4.84%
(20) Selected Rate Change	-5.00%

Notes:

- (1) From Section B of Appendix, Exhibit 1.
- (2) Selected by PICA management.
- (3) Item (10) from Appendix, Exhibit 2.
- (4) Based on actual state tax rates.
- (5) = Sum of (1) through (4)
- (6) = 100.00% - (5)
- (7) Item (10) from Table 5
- (8) From Section B of Appendix, Exhibit 1.
- (9) Weighted Average of Column (9) of Appendix, Exhibit 3.
- (10) = Sum of (7) through (9)
- (11) = (10) / (6) - 100.00%
- (12) Item (13) from Appendix, Exhibit 7.
- (13) Effective date of most recent filing.
- (14) One year beyond requested effective date of this filing.
- (16) = (12) ^ (15)
- (17) = (16) - 100.00%
- (18) Item (4) from Appendix, Exhibit 4.
- (19) = (11) * (18) + (17) * [100.00% - (18)]
- (20) Selected by PICA management.

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Table 2

**ESTIMATION OF STATE ULTIMATE INCURRED LOSSES & ALAE
USING LOSS DEVELOPMENT METHODS**

A. PAID LOSS DEVELOPMENT METHOD

Report Year	Total Paid Loss and ALAE as of 12/31/2005	Paid Loss + ALAE Development Factor	Estimated Ultimate Loss + ALAE
(1)	(2)	(3)	(4)
2001	187,742	1.049	196,941
2002	1,149,753	1.117	1,284,274
2003	383,878	1.327	509,406
2004	183,895	2.148	395,006
2005	43,174	10.033	433,165
	<u>1,948,442</u>		<u>2,818,792</u>

B. REPORTED LOSS DEVELOPMENT METHOD

Report Year	Total Reported Loss and ALAE as of 12/31/2005	Reported Loss+ALAE Development Factor	Estimated Ultimate Loss + ALAE
(5)	(6)	(7)	(8)
2001	292,742	1.000	292,742
2002	1,627,525	1.012	1,647,055
2003	2,161,152	1.034	2,234,631
2004	1,295,037	1.083	1,402,525
2005	1,138,746	1.542	1,755,946
	<u>6,515,202</u>		<u>7,332,899</u>

Notes:	
(2)	Direct Paid Losses for all Illinois podiatrists insured by PICA
(3)	Cumulative factors from Appendix, Exhibit 5.
(4)	= (2) * (3)
(6)	Direct Reported Losses for all Illinois podiatrists insured by PICA
(7)	Cumulative factors from Appendix, Exhibit 6.
(8)	= (6) * (7)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Table 3

**ESTIMATION OF STATE ULTIMATE INCURRED LOSSES & ALAE
USING BORNHUETTER-FERGUSON METHODS**

A. INITIAL EXPECTED LOSSES AND ALAE

Report Year	Direct Earned Premium	Initial Expected Loss+ALAE Ratio	Initial Expected Ultimate Loss + ALAE
(1)	(2)	(3)	(4)
2001	1,128,567	83.20%	938,968
2002	1,456,196	82.10%	1,195,537
2003	3,636,002	75.10%	2,730,638
2004	5,105,575	70.20%	3,584,114
2005	6,054,240	67.30%	4,074,504
	17,380,580		12,523,761

B. PAID BORNHUETTER-FERGUSON METHOD

Report Year	Initial Expected Ultimate Loss+ALAE	Paid Loss+ALAE Development Factor	Expected Percent of Loss+ALAE Unpaid	Expected Loss+ALAE Unpaid	Paid Loss+ALAE as of 12/31/05	Estimated Ultimate Loss+ALAE
(5)	(6)	(7)	(8)	(9)	(10)	(11)
2001	938,968	1.049	4.67%	43,850	187,742	231,592
2002	1,195,537	1.117	10.47%	125,173	1,149,753	1,274,926
2003	2,730,638	1.327	24.64%	672,829	383,878	1,056,707
2004	3,584,114	2.148	53.45%	1,915,709	183,895	2,099,604
2005	4,074,504	10.033	90.03%	3,668,276	43,174	3,711,450
	12,523,761			6,425,837	1,948,442	8,374,279

C. REPORTED BORNHUETTER-FERGUSON METHOD

Report Year	Initial Expected Ultimate Loss+ALAE	Reported Loss+ALAE Development Factor	Expected Percent of Loss+ALAE Unreported	Expected Loss+ALAE Unreported	Reported Loss + ALAE as of 12/31/05	Estimated Ultimate Loss+ALAE
(12)	(13)	(14)	(15)	(16)	(17)	(18)
2001	938,968	1.000	0.00%	0	292,742	292,742
2002	1,195,537	1.012	1.19%	14,227	1,627,525	1,641,752
2003	2,730,638	1.034	3.29%	89,838	2,161,152	2,250,990
2004	3,584,114	1.083	7.66%	274,543	1,295,037	1,569,580
2005	4,074,504	1.542	35.15%	1,432,188	1,138,746	2,570,934
	12,523,761			1,810,796	6,515,202	8,325,998

Notes:

- (2) Direct earned premium for all Illinois podiatrists insured by PICA.
- (4) = (2) * (3)
- (7) From Column (3) of Table 2.
- (8) = $100.00\% - [100.00\% / (7)]$
- (9) = (6) * (8)
- (10) From Column (2) of Table 2.
- (11) = (9) + (10)
- (14) From Column (7) of Table 2.
- (15) = $100.00\% - [100.00\% / (14)]$
- (16) = (13) * (15)
- (17) From Column (6) of Table 2.
- (18) = (16) + (17)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Table 4

**DEVELOPMENT OF INCURRED LOSSES
TRENDED TO A 2007 COST LEVEL**

A. SELECTION OF PICA ESTIMATED INCURRED LOSSES & ALAE

Report Year	Estimated Ultimate Loss + ALAE				
	Paid Loss Development Method	Reported Loss Development Method	Paid Bornhuetter- Ferguson Method	Reported Bornhuetter- Ferguson Method	Selected
(1)	(2)	(3)	(4)	(5)	(6)
2001	196,941	292,742	231,592	292,742	253,504
2002	1,284,274	1,647,055	1,274,926	1,641,752	1,462,002
2003	509,406	2,234,631	1,056,707	2,250,990	1,512,934
2004	395,006	1,402,525	2,099,604	1,569,580	1,834,592
2005	433,165	1,755,946	3,711,450	2,570,934	3,141,192
	2,818,792	7,332,899	8,374,279	8,325,998	8,204,224

B. TRENDING OF PICA ESTIMATED ULTIMATE INCURRED LOSSES & ALAE

Report Year	Selected Estimated Ultimate Loss+ALAE	4.62% Loss + ALAE Trend Factor	Trended Estimated Ultimate Loss+ALAE
(7)	(8)	(9)	(10)
2001	253,504	1.342	340,202
2002	1,462,002	1.283	1,875,749
2003	1,512,934	1.226	1,854,857
2004	1,834,592	1.172	2,150,142
2005	3,141,192	1.120	3,518,135
	8,204,224		9,739,085

Notes:

- (2) From Column (4) of Section A of Table 2.
- (3) From Column (8) of Section B of Table 2.
- (4) From Column (11) of Section B of Table 3.
- (5) From Column (18) of Section C of Table 3.
- (6) Equal to the average of all four methods for 2001
Equal to the average of all four methods for 2002
Equal to the average of all four methods for 2003
Equal to the average of the Bornhuetter-Ferguson methods for 2004
Equal to the average of the Bornhuetter-Ferguson methods for 2005
- (9) Based on Item (13) from Appendix, Exhibit 7.
- (10) = (8) * (9)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Table 5

SELECTED STATE ON-LEVEL LOSS AND ALAE RATIO

Report Year	Direct Earned Premium	Premium Adjustment Factor	On-Level Direct Earned Premium	Trended Estimated Ultimate Loss+ALAE	On-Level Loss + ALAE Ratio
(1)	(2)	(3)	(4)	(5)	(6)
2001	1,128,567	1.752	1,977,249	340,202	17.21%
2002	1,456,196	1.642	2,391,074	1,875,749	78.45%
2003	3,636,002	1.436	5,221,299	1,854,857	35.52%
2004	5,105,575	1.229	6,274,752	2,150,142	34.27%
2005	6,054,240	1.095	6,629,393	3,518,135	53.07%
	17,380,580		22,493,767	9,739,085	43.30%

(7)	5 Yr Wtd Avg =	43.30%
(8)	4 Yr Wtd Avg =	45.81%
(9)	3 Yr Wtd Avg =	45.81%
(10)	Selected =	45.81%

Notes:
(2) From Column (2) of Section A of Table 3.
(3) From Column (6) of Appendix, Exhibit 8.
(4) = (2) * (3)
(5) From Column (10) of Section B of Table 4.
(6) = (5) / (4)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Appendix, Exhibit 1

DERIVATION OF COUNTRY WIDE EXPENSE LOADINGS

A. DOLLARS OF EXPENSE

	2001	2002	2003	2004	2005	Total
(1) General Administrative Expense	6,197,817	11,429,657	9,504,460	12,310,795	10,515,632	49,958,361
(2) ULAE	2,305,172	2,858,462	2,702,319	3,644,681	3,939,008	15,449,642
(3) Direct Earned Premium	24,995,066	31,277,508	42,120,745	50,941,950	59,953,904	209,289,173

B. EXPENSE LOADING

	2001	2002	2003	2004	2005	Total	Selected Expense Loadings
(4) General Administrative Expense	24.80%	36.54%	22.56%	24.17%	17.54%	23.87%	17.52%
(5) ULAE	9.22%	9.14%	6.42%	7.15%	6.57%	7.38%	5.76%

Notes:

(1)	From PICA's Annual Statements.
(2)	From PICA's Annual Statements.
(3)	From PICA's Annual Statements.
(4)	= (1)/(3)
(5)	= (2)/(3)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Appendix, Exhibit 2

ESTIMATION OF INVESTMENT INCOME

(1) Discount Rate = 5.0%

Year of Payment	Paid Loss + ALAE Development Factor	Cumulative Percent of Losses Paid	Incremental Percent of Losses Paid	Discounted Incremental Percent of Losses Paid
(2)	(3)	(4)	(5)	(6)
1	10.033	9.97%	9.97%	9.73%
2	2.148	46.55%	36.58%	34.00%
3	1.327	75.36%	28.81%	25.50%
4	1.117	89.53%	14.17%	11.95%
5	1.049	95.33%	5.80%	4.66%
6	1.006	99.40%	4.07%	3.11%
7	1.000	100.00%	0.60%	0.44%
8	1.000	100.00%	0.00%	0.00%
9	1.000	100.00%	0.00%	0.00%
			100.00%	89.39%

(7) Investment Income as Percent of Losses = 10.61%
(8) Expected Loss Ratio = 55.80%
(9) Investment Income as Percent of Premium = 5.92%
(10) Investment Income Offset = -5.92%

Notes:
(3) Cumulative factors from Appendix, Exhibit 5.
(4) = 100.00% / (3)
(5) = [(4) - (4) for prior year]
(6) = (5) / {[100.00% + (1)] ^ (2 - 0.5)}
(7) = Total (5) - Total (6)
(8) From Column (4) of Appendix, Exhibit 9.
(9) = (7) * (8)
(10) = Additive Inverse of (9)

PODIATRY INSURANCE COMPANY OF AMERICA
Medical Professional Liability
Appendix, Exhibit 3

DERIVATION OF ILLINOIS DEATH, DISABILITY, AND RETIREMENT LOADING

Current Age (1)	Countrywide Insured Count (2)	Percentage of Total Insureds (3)	Projected Illinois Loss and ALAE Ratio (4)	Experience Modification Factor (5)	Expected DD&R Loss and ALAE Ratio (6)	Average Years to Age 85 (7)	Discount Factor From Age 85 (8)	Discounted Expected DD&R Loss and ALAE Ratio (9)
<35	1,218	17.0%	55.8%	55.1%	30.7%	50	8.7%	2.7%
35-39	1,325	18.5%	55.8%	55.1%	30.7%	48	9.6%	2.9%
40-44	1,225	17.1%	55.8%	55.1%	30.7%	43	12.3%	3.8%
45-49	1,103	15.4%	55.8%	55.1%	30.7%	38	15.7%	4.8%
50-54	1,067	14.9%	55.8%	55.1%	30.7%	33	20.0%	6.1%
55-59	652	9.1%	55.8%	55.1%	30.7%	28	25.5%	7.8%
60-64	337	4.7%	55.8%	55.1%	30.7%	23	32.6%	10.0%
65-69	107	1.5%	55.8%	55.1%	30.7%	18	41.6%	12.8%
70-74	57	0.8%	55.8%	55.1%	30.7%	13	53.0%	16.3%
>75	71	1.0%	55.8%	55.1%	30.7%	10	61.4%	18.8%
	7,162	100.0%						5.0%

(10) Discount Rate = 5.0%

Notes:	
(4)	From Column (4) of Appendix, Exhibit 9.
(5)	Expected relationship of tail experience to non-tail experience.
(6)	= (4) x (5).
(8)	= $1.00 / \{[1.00 + (10)]^{\wedge} (7)\}$.
(9)	= (6) x (8).
(10)	Investment yield expected to prevail over the life of the payouts.

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Appendix, Exhibit 4

DERIVATION OF CREDIBILITY FACTOR

Report Year	Reported Claims
(1)	(2)
2001	8
2002	20
2003	36
2004	28
2005	28
	120

(3) Full Credibility: 1000
(4) Credibility Factor: 34.6%

Notes:
(4) = {[Total (2)] / (3)} ^ 0.5

PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
 Appendix, Exhibit 5

DERIVATION OF COUNTRY WIDE PAID LOSS DEVELOPMENT FACTORS
PODIATRIST PROFESSIONAL LIABILITY
 (Unlimited Paid Losses Plus ALAE)

Treaty Year	Age	12	24	36	48	60	72	84	96	108	120
1987											7,240,132
1988										5,573,375	5,585,243
1989									5,673,999	5,674,131	5,674,131
1990								7,673,465	7,743,809	7,842,797	7,865,826
1991							8,999,340	9,473,252	9,485,718	9,566,241	9,574,680
1992						10,684,320	10,810,876	10,893,317	10,901,380	10,920,478	10,918,810
1993					10,693,077	12,673,791	14,018,673	15,107,065	15,153,042	15,158,967	15,363,787
1994			8,118,821	9,348,785	11,092,709	11,795,525	11,937,030	12,315,843	12,359,600	12,858,902	
1995		3,730,416	8,011,132	11,664,626	12,041,410	12,741,485	12,848,430	12,958,493	13,217,887	13,217,887	
1996	570,560	3,450,262	7,008,744	8,227,111	9,528,419	10,913,270	12,718,696	12,728,515	12,738,315	12,739,642	
1997	336,537	2,452,555	6,253,787	10,103,213	12,469,729	12,716,053	12,817,737	12,823,309	12,831,279		
1998	528,331	4,498,050	8,678,595	12,410,016	13,947,271	15,366,743	15,391,209	15,394,674			
1999	762,180	6,165,269	10,498,574	14,973,872	15,790,240	16,241,786	16,381,511				
2000	1,526,254	9,998,465	14,838,895	17,826,342	19,279,592	19,528,442					
2001	1,449,065	8,381,941	13,075,670	15,530,272	16,399,842						
2002	1,925,625	11,596,546	19,163,392	22,563,463							
2003	2,346,037	13,627,173	22,179,937								
2004	3,759,574	12,289,048									
2005	2,142,116										

Volume Weighted Average of Latest 7

5.412 1.669

Volume Weighted Average of Latest 5

5.078 1.603

Volume Weighted Average of Latest 3

4.671 1.619

Simple Average of Middle 5 of Latest 7 (Average High-Low)

5.078 1.603

Selected

4.671 1.619

Cumulative

12 to Ult 24 to Ult 36 to Ult 48 to Ult 60 to Ult 72 to Ult 84 to Ult 96 to Ult 108 to Ult

10.033 2.148 1.327 1.117 1.049 1.006 1.000 1.000 1.000

PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
Appendix, Exhibit 6

DERIVATION OF COUNTRY WIDE REPORTED LOSS DEVELOPMENT FACTORS
PODIATRIST PROFESSIONAL LIABILITY
(Unlimited Reported Losses Plus ALAE)

Treaty Year	Age	12	24	36	48	60	72	84	96	108	120
1987											7,346,235
1988										5,765,018	5,707,150
1989									5,715,755	5,684,342	5,684,342
1990								8,499,765	8,470,663	8,231,636	8,581,636
1991								9,977,027	9,594,776	9,618,358	9,576,797
1992								10,366,223	11,051,802	10,921,703	10,918,810
1993								11,400,783	11,231,169	11,057,671	10,918,810
1994								15,915,643	15,683,382	15,659,640	15,352,630
1995								12,590,966	12,604,376	12,967,245	12,858,902
1996								12,055,806	11,753,767	13,081,435	12,959,916
1997								12,869,495	13,087,343	12,836,534	12,817,796
1998								13,874,650	15,454,774	12,823,309	12,831,279
1999								16,535,299	16,719,344	15,391,209	15,394,674
2000								19,801,093	19,796,247	16,561,999	
2001								17,136,378			
2002											
2003											
2004											
2005											

Volume Weighted Average of Latest 7

Volume Weighted Average of Latest 5

Volume Weighted Average of Latest 3

Simple Average of Middle 5 of Latest 7 (Average High-Low)

Selected

Cumulative

12 to Ult

24 to Ult

36 to Ult

48 to Ult

60 to Ult

72 to Ult

84 to Ult

96 to Ult

108 to Ult

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PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
Appendix, Exhibit 7

COUNTRYWIDE LOSS TREND ANALYSIS FOR PICA PODIATRISTS

A. Severity Trend Analysis

Report Year	Years of Trend	Selected Ultimate Loss and ALAE	Claim Count	Average Severity	Trend
(1)	(2)	(3)	(4)	(5)	(6)
1996	1	12,739,642	206	61,843	
1997	2	12,831,279	175	73,322	
1998	3	15,394,674	184	83,667	
1999	4	16,561,999	219	75,626	
2000	5	19,802,425	232	85,355	
2001	6	17,211,800	263	65,444	
2002	7	25,689,558	355	72,365	
2003	8	30,860,985	361	85,487	
2004	9	29,421,012	379	77,628	
2005	10	32,472,396	367	88,481	
		212,985,770	2,741	77,704	6.98%

B. Frequency Trend Analysis

Report Year	Years of Trend	Insured Count as of 12/31/2005	Claim Count as of 12/31/2005	Average Frequency	Trend
(7)	(8)	(9)	(10)	(11)	(12)
1996	1	3,173	206	6.4923	
1997	2	3,337	175	5.2442	
1998	3	3,501	184	5.2556	
1999	4	3,983	219	5.4984	
2000	5	4,875	232	4.7590	
2001	6	5,043	263	5.2151	
2002	7	6,319	355	5.6180	
2003	8	7,205	361	5.0104	
2004	9	7,162	379	5.2918	
2005	10	7,637	367	4.8056	
		52,235	2,741		-2.21%

0
(13) Selected: 4.62%

Notes:

- (3) Expected Ultimate Incurred Loss for all podiatrists insured by The PICA Group
- (4) Represents experience of all Podiatrists insured by PICA.
- (5) = (3) / (4)
- (6) From exponential line of best fit through (5)
- (11) = (10) / (9) * 100
- (12) From exponential line of best fit through (11)
- (13) = [(100.00% + (6))] X [(100.00% + (12)) - 100.00%

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Appendix, Exhibit 8

PREMIUM ADJUSTMENT FACTOR

Report Year	Rate Change	Rate Change Factor	Cumulative Rate Change Factor	Average Earned Premium Factor	Premium Adjustment Factor
(1)	(2)	(3)	(4)	(5)	(6)
2000	3.00%	1.0300	1.0300	1.0300	1.7782
2001	3.00%	1.0300	1.0609	1.0455	1.7518
2002	10.30%	1.1030	1.1702	1.1156	1.6417
2003	18.00%	1.1800	1.3808	1.2755	1.4359
2004	15.90%	1.1590	1.6003	1.4906	1.2287
2005	9.00%	1.0900	1.7443	1.6723	1.0952
2006	5.00%	1.0500	1.8315	1.7879	1.0244
2007			1.8315	1.8315	1.0000

Notes:

(3) = $1.0000 + (2)$.

(4) Product of (3) for all current and prior Report Years.

(5) Average of (4) for current year and first prior year. Assumes uniform distribution of renewal dates.

(6) = (5) for 2007 / (5).

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Appendix, Exhibit 9

DERIVATION OF CREDIBILITY WEIGHTED LOSS RATIO

Illinois Expected Loss Ratio	Country Wide Expected Loss Ratio	Credibility Factor	Illinois Credibility Weighted Expected Loss Ratio
(1)	(2)	(3)	(4)
45.8%	61.1%	34.6%	55.8%

Notes:
(1) From Table 5.
(2) Expected Total Loss Related Ratio for all podiatrists insured by The PICA Group
(3) From Appendix, Exhibit 4.
(4) = (3) * (1) + [1.00 - (3)] * (2)

PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
Appendix, Exhibit 10

**ESTIMATION OF COUNTRY WIDE ULTIMATE INCURRED LOSSES
USING LOSS DEVELOPMENT METHODS**

A. PAID LOSS DEVELOPMENT METHOD

Report Year	Total Paid Loss and ALAE as of 12/31/2005	Paid Loss + ALAE Development Factor	Estimated Ultimate Loss+ALAE
(1)	(2)	(3)	(4)
2001	16,399,842	1.049	17,203,434
2002	22,563,463	1.117	25,203,388
2003	22,179,937	1.327	29,432,776
2004	12,289,048	2.148	26,396,875
2005	2,142,116	10.033	21,491,850
	<u>75,574,406</u>		<u>119,728,323</u>

B. REPORTED LOSS DEVELOPMENT METHOD

Report Year	Total Reported Loss and ALAE as of 12/31/2005	Reported Loss+ALAE Development Factor	Estimated Ultimate Loss+ALAE
(5)	(6)	(7)	(8)
2001	17,136,378	1.000	17,136,378
2002	25,843,553	1.012	26,153,676
2003	30,971,593	1.034	32,024,627
2004	25,981,895	1.083	28,138,392
2005	17,610,631	1.542	27,155,593
	<u>117,544,050</u>		<u>130,608,666</u>

Notes:

- (2) Direct Paid Losses & ALAE for all Podiatrists Insured by PICA
- (3) Cumulative factors from Appendix, Exhibit 5.
- (4) = (2) * (3)
- (6) Direct Reported Losses & ALAE for all podiatrists insured by PICA
- (7) Cumulative factors from Appendix, Exhibit 6.
- (8) = (6) * (7)

PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
Appendix, Exhibit 11

**ESTIMATION OF ULTIMATE INCURRED LOSSES
USING BORNHUETTER-FERGUSON METHODS**

A. INITIAL EXPECTED LOSSES AND ALAE

Report Year	Direct Earned Premium	Initial Expected Loss + ALAE Ratio	Initial Expected Ultimate Loss+ALAE
(1)	(2)	(3)	(4)
2001	24,995,066	83.20%	20,795,895
2002	31,277,508	82.10%	25,678,834
2003	42,120,745	75.10%	31,632,679
2004	50,941,950	70.20%	35,761,249
2005	59,953,904	67.30%	40,348,977
	209,289,173		154,217,634

B. PAID BORNHUETTER-FERGUSON METHODS

Report Year	Initial Expected Ultimate Loss + ALAE	Paid Loss + ALAE Development Factor	Expected Percent of Loss + ALAE Unpaid	Expected Loss+ALAE Unpaid	Paid Loss + ALAE as of 12/31/05	Estimated Ultimate Loss + ALAE
(5)	(6)	(7)	(8)	(9)	(10)	(11)
2001	20,795,895	1.049	4.67%	971,168	16,399,842	17,371,010
2002	25,678,834	1.117	10.47%	2,688,574	22,563,463	25,252,037
2003	31,632,679	1.327	24.64%	7,794,292	22,179,937	29,974,229
2004	35,761,249	2.148	53.45%	19,114,388	12,289,048	31,403,436
2005	40,348,977	10.033	90.03%	36,326,184	2,142,116	38,468,300
	154,217,634			66,894,606	75,574,406	142,469,012

C. REPORTED BORNHUETTER-FERGUSON METHODS

Report Year	Initial Expected Ultimate Loss + ALAE	Reported Loss + ALAE Development Factor	Expected Percent of Loss + ALAE Unreported	Expected Loss + ALAE Unreported	Reported Loss + ALAE as of 12/31/05	Estimated Ultimate Loss+ALAE
(12)	(13)	(14)	(15)	(16)	(17)	(18)
2001	20,795,895	1.000	0.00%	0	17,136,378	17,136,378
2002	25,678,834	1.012	1.19%	305,578	25,843,553	26,149,131
2003	31,632,679	1.034	3.29%	1,040,715	30,971,593	32,012,308
2004	35,761,249	1.083	7.66%	2,739,312	25,981,895	28,721,207
2005	40,348,977	1.542	35.15%	14,182,665	17,610,631	31,793,296
	154,217,634			18,268,270	117,544,050	135,812,320

Notes:	
(2)	Direct earned premium for all podiatrists insured by PICA.
(4)	= (2) * (3)
(7)	From Column (3) of Section A of Appendix, Exhibit 10.
(8)	= 100.00% - [100.00% / (7)]
(9)	= (6) * (8)
(10)	From Column (2) of Section A of Appendix, Exhibit 10.
(11)	= (9) + (10)
(14)	From Column (7) of Section A of Appendix, Exhibit 10.
(15)	= 100.00% - [100.00% / (14)]
(16)	= (13) * (15)
(17)	From Column (6) of Section A of Appendix, Exhibit 10.
(18)	= (16) + (17)

PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
Appendix, Exhibit 12

DEVELOPMENT OF COUNTRYWIDE INCURRED LOSSES & ALAE
TRENDED TO A 2007 COST LEVEL

A. SELECTION OF PICA ESTIMATED INCURRED LOSSES

Report Year	Estimated Ultimate Loss + ALAE				
	Paid Loss Development Method	Reported Loss Development Method	Paid Bornhuetter- Ferguson Method	Reported Bornhuetter- Ferguson Method	Selected
(1)	(2)	(3)	(4)	(5)	(6)
2001	17,203,434	17,136,378	17,371,010	17,136,378	17,211,800
2002	25,203,388	26,153,676	25,252,037	26,149,131	25,689,558
2003	29,432,776	32,024,627	29,974,229	32,012,308	30,860,985
2004	26,396,875	28,138,392	31,403,436	28,721,207	29,421,012
2005	21,491,850	27,155,593	38,468,300	31,793,296	32,472,396
	119,728,323	130,608,666	142,469,012	135,812,320	135,655,751

B. TRENDING OF PICA INCURRED LOSSES

Report Year	Selected Estimated Ultimate Loss+ALAE	4.62% Loss + ALAE Trend Factor	Trended Estimated Ultimate Loss+ALAE
(7)	(8)	(9)	(10)
2001	17,211,800	1.342	23,098,236
2002	25,689,558	1.283	32,959,703
2003	30,860,985	1.226	37,835,568
2004	29,421,012	1.172	34,481,426
2005	32,472,396	1.120	36,369,084
	135,655,751		164,744,017

Notes:	
(2)	From Section A of Appendix, Exhibit 10.
(3)	From Section B of Appendix, Exhibit 10.
(4)	From Section B of Appendix, Exhibit 11.
(5)	From Section C of Appendix, Exhibit 11.
(6)	Equal to the average of all four methods for 2001
	Equal to the average of all four methods for 2002
	Equal to the average of all four methods for 2003
	Equal to the average of all methods except Paid Loss Development for 2004-2005.
	Paid Loss Development Method appears to be biased low.
(9)	Based on Item (13) from Appendix, Exhibit 7.
(10)	= (8) * (9)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE**

Appendix, Exhibit 13

SELECTED COUNTRYWIDE ON-LEVEL LOSS & ALAE RATIO

Report Year	Direct Earned Premium	Premium Adjustment Factor	On-Level Direct Earned Premium	Trended Estimated Ultimate Loss + ALAE	On-Level Loss + ALAE Ratio
(1)	(2)	(3)	(4)	(5)	(6)
2001	24,995,066	1.638	40,941,918	23,098,236	56.42%
2002	31,277,508	1.536	48,042,252	32,959,703	68.61%
2003	42,120,745	1.336	56,273,315	37,835,568	67.24%
2004	50,941,950	1.149	58,532,301	34,481,426	58.91%
2005	59,953,904	1.053	63,131,461	36,369,084	57.61%
	209,289,173		266,921,247	164,744,017	61.72%

5 Yr Wtd Avg =	61.72%
4 Yr Wtd Avg =	62.68%
3 Yr Wtd Avg =	61.08%
Selected =	61.08%

Notes:
(2) From Column (2) of Section A of Appendix, Exhibit 11.
(3) From Column (6) of Appendix, Exhibit 14.
(4) = (2) * (3)
(5) From Column (10) of Section B of Appendix, Exhibit 12.
(6) = (5) / (4)

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
DEVELOPMENT OF COUNTRY WIDE**

Appendix, Exhibit 14

COUNTRYWIDE PREMIUM ADJUSTMENT FACTORS

Report Year	Rate Change	Rate Change Factor	Cumulative Rate Change Factor	Average Earned Premium Factor	Premium Adjustment Factor
(1)	(2)	(3)	(4)	(5)	(6)
2000	-2.90%	0.9710	0.9710	0.9710	1.6675
2001	3.60%	1.0360	1.0060	0.9885	1.6379
2002	9.50%	1.0950	1.1016	1.0538	1.5364
2003	20.07%	1.2007	1.3227	1.2122	1.3357
2004	13.13%	1.1313	1.4964	1.4096	1.1486
2005	5.56%	1.0556	1.5796	1.5380	1.0527
2006	2.50%	1.0250	1.6191	1.5994	1.0123
2007			1.6191	1.6191	1.0000

Notes:

(3) = 1.0000 + (2).

(4) Product of (3) for all current and prior Report Years.

(5) Average of (4) for current year and first prior year. Assumes uniform distribution of renewal dates.

(6) = (5) for 2006 / (5).

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Appendix, Exhibit 1

DERIVATION OF COUNTRY WIDE EXPENSE LOADINGS

A. DOLLARS OF EXPENSE

	2001	2002	2003	2004	2005	Total
(1) General Administrative Expense	6,197,817	11,429,657	9,504,460	12,310,795	10,515,632	49,958,361
(2) ULAE	2,305,172	2,858,462	2,702,319	3,644,681	3,939,008	15,449,642
(3) Direct Earned Premium	24,995,066	31,277,508	42,120,745	50,941,950	59,953,904	209,289,173

B. EXPENSE LOADING

	2001	2002	2003	2004	2005	Total	Selected Expense Loadings
(4) General Administrative Expense	24.80%	36.54%	22.56%	24.17%	17.54%	23.87%	17.52%
(5) ULAE	9.22%	9.14%	6.42%	7.15%	6.57%	7.38%	5.76%

Notes:

- (1) From PICA's Annual Statements.
- (2) From PICA's Annual Statements.
- (3) From PICA's Annual Statements.
- (4) = (1)/(3)
- (5) = (2)/(3)

Selected Expense Loadings reflect the shift of OUM premium from Assumed to Direct for 2006.

**PODIATRY INSURANCE COMPANY OF AMERICA
PODIATRIC MEDICAL MALPRACTICE
ILLINOIS**

Appendix, Exhibit 2

ESTIMATION OF INVESTMENT INCOME

(1) Discount Rate = 5.0%

Year of Payment	Paid Loss + ALAE Development Factor	Cumulative Percent of Losses Paid	Incremental Percent of Losses Paid	Discounted Incremental Percent of Losses Paid
(2)	(3)	(4)	(5)	(6)
1	10.033	9.97%	9.97%	9.73%
2	2.148	46.55%	36.59%	34.01%
3	1.327	75.36%	28.80%	25.50%
4	1.117	89.53%	14.17%	11.94%
5	1.049	95.33%	5.80%	4.66%
6	1.006	99.40%	4.07%	3.12%
7	1.000	100.00%	0.60%	0.43%
8	1.000	100.00%	0.00%	0.00%
9	1.000	100.00%	0.00%	0.00%
			100.00%	89.38%

(7) Investment Income as Percent of Losses =	10.62%
(8) Expected Loss Ratio =	55.80%
(9) Investment Income as Percent of Premium =	5.93%
(10) Investment Income Offset =	-5.93%

Notes:
(3) Cumulative factors from Appendix, Exhibit 5.
(4) = 100.00% / (3)
(5) = [(4) - (4) for prior year]
(6) = (5) / {[100.00% + (1)] ^ (2 - 0.5)}
(7) = Total (5) - Total (6)
(8) From Column (4) of Appendix, Exhibit 9.
(9) = (7) * (8)
(10) = Additive Inverse of (9)